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THE MARCH
TOWARDS SOCIALISM



THE MARCH TOWARDS SOCIALISM

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LONDON

LEONARD PARSONS

PORTUGAL STREET '

First Published October 1920

Leonard Parsons, Ltd.

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THE MARCH TOWARDS SOCIALISM

CHAPTER I

UNEQUAL DISTRIBUTION OF WEALTH IN PRESENT-DAY SOCIETY

IN the first part of this study, I propose to set before the reader the actualities which constitute the social question and which imperiously and insistently press for its solution.

The first of these realities is the extreme inequality in the distribution of wealth.

But a few years ago, people had only a vague and sentimental idea of this inequality. To-day, thanks to the statistics afforded by Income Tax and Death Duties, it can be calculated to a close degree of approximation, and can be presented in the form of figures.

How is the total wealth of France in private hands distributed amongst the citizens? I will come in a moment to the conclusions at which I have arrived. But, as a preliminary step, I must first justify the

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general method I have followed, and each of the elements of my calculation. Fortunately, I shall be able, as regards the whole of one part of my argument, to invoke the authority of an eminent and remarkably well-informed specialist, M. de Foville, of the Statistical Department of the Ministry of Finance.

The first question which presents itself is this: What is the round sum of wealth which, in France, is divided amongst private persons? Actually there is no source of information which allows this to be apprehended in a direct manner, if I may say so, but it can be determined in an indirect fashion.

The point of departure of the method pursued, consists in the fact that in some exceptional circumstances, large slices of the wealth of the country come suddenly within the purview of the public exchequer. This takes place when death causes a fortune to pass from the hands of one person to another, or again, when, on the occasion of the marriage of his son or daughter, a father detaches from his fortune the dowry of his child, and takes it to the notary, to be entered in the marriage contract. "As we cannot seek and weigh the wealth in the hands which hold it," writes M. de Foville, "we seize it in flight, so to speak, at the moment when these hands open, and let it escape. Most frequently, it is death which dispossesses us, and estates will be, by far, our chief base of operations. But if we only considered the transfers

brought about by decease, we should unduly omit a considerable portion of what we may call the stream of transmitted wealth. Not infrequently, people dispossess themselves of all or a part of their property, whilst still living, for the benefit of those who are dear to them. Anticipated inheritances, marriage settlements, deeds of gift, these are, in certain circles, customary acts; and these 'bequests before death,' as they are called at the Law Courts, must certainly be considered as a deflection from the stream of estates, because, for example, the portion which a son or daughter receives on marriage, reduces by its amount the property which the parents will leave behind them. It is therefore desirable, in order to be exact, to add to the sum total of estates the amounts of gifts which have passed between living people."¹

Each year, the Public Treasury registers the sum total of estates and the sum total of the gifts between living persons, and, as a general rule, in the following year, the statistics of the Ministry of Finance reveal to us both the one and the other. The round sum of the estates is called the Estate Returns. M. de Foville suggests, very properly, to call the sum total of the estates and the gifts the "transferred wealth."

Now the "transferred wealth" is a reliable basis for estimating the total private wealth of the country. It represents, in fact, a definite fraction of the total mass

¹ A. de Foville, *Revue économique internationale*, April 1906, pp. 11 and 12.

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of this wealth. What fraction? Is it the 20th, 30th, or 40th part? "In other words," asks M. de Foville, "what is the co-efficient, what is the multiplier which must be applied to the 'transferred wealth' to reconstruct the whole of which it is only a fragment?"

He answers, "Only a little reflection is needed to recognise that this multiplier should correspond, not to the average duration of life of the French, as several people have supposed, but to the average period of survival of the inheritors as compared with the persons from whom they inherit. If, for example, each proprietor or capitalist conserved for thirty years neither more nor less than the property which he received from his parents, and which his descendants will be called upon to enjoy after him, the annual transfers would amount to one-thirtieth of the total wealth, since the whole of the wealth would change hands every thirty years."

Here, then, is our second unknown quantity plainly defined: it is the average interval which separates the inheritance by one generation from another.

What is, in fact, this average period of survival?

An inquiry made by M. Victor Turquan, when head of the General Statistical Department of France, which dealt with 4,500,000 cases, has demonstrated that in France this average is about 32 years (31 years, 8 months, 21 days, exactly). It will, therefore, be necessary to multiply the yearly figures by 32,

and not by 36, as is often done, or by 35, as is done in France to this day by the Registry.

But it is the gross amount of the "transferred wealth" which should be multiplied by the coefficient, and not the net figure which is obtained after deducting the liabilities of the estates. The adoption of this figure, which in theory is too high, will serve in practice to compensate for "leakages." "The department concerned will not contradict us," M. de Foville says, "if we contend that the concealing of assets, as still practised, is nearly equal to the deduction of liabilities as authorised by the law of 1901."

Having laid down these principles, M. de Foville took as a basis, in 1906, the average "transferred wealth" of the past four years, viz., $6\frac{1}{2}$ milliards, and multiplying this figure by 32 arrived at the following estimate of the sum total of the private fortunes of France: 208 milliards, or, not to be too precise, 200 odd milliards.

Taking as a basis the average "transferred wealth" of the last five years for which the figures are known, 1909-13, viz., 7 milliards of francs (7,072,020,000), we arrive at the figure of 226 milliards, 300 millions, or in round figures 225 milliards.

And now the second question we have to answer is this: How is this imposing mass of wealth apportioned amongst the different classes of society?

An extremely important clue to this matter is

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furnished by the statistics relating to estates published each year by the Finance Ministry. After showing us the gross amount of all the estates that are declared, and making deduction of all those where the liabilities exceed the assets, these statistics divide the remaining estates into a series of thirteen groups, according to their importance. By way of example, we give the figures relating to the year 1911.

TABLE I
DISTRIBUTION OF ESTATES IN FRANCE. (YEAR 1911)

Groups of Estates (according to the importance of the Net Assets).	No. of Estates of each Group.	Total Amount of the Estates of each Group.
		<i>Francs.</i>
I. Over 50 million francs . . .	3	216,000,000
II. Between 50 and 10 million francs	9	233,000,000
III. „ 10 and 5 „ „	30	200,600,000
IV. „ 5 and 2 „ „	245	439,900,000
V. „ 2 and 1 „ „	379	532,300,000
VI. „ 1 million and 500,000 francs . . .	832	591,300,000
VII. „ 500,000 and 250,000 frs.	1,675	588,000,000
VIII. „ 250,000 and 100,000	4,878	761,000,000
IX. „ 100,000 and 50,000	7,755	539,300,000
X. „ 50,000 and 10,000	47,032	994,000,000
XI. „ 10,000 and 2,000	105,966	523,600,000
XII. „ 2,000 and 500	94,787	119,100,000
XIII. „ 500 and 1	95,522	23,600,000
Total	359,113	5,761,700,000

The immediate impression given by this table is that of immense inequality. Thus, if we look in turn at the top and bottom of our two series of figures, we observe that whilst three deceased persons leave to

their inheritors 216 millions, 95,522 others only leave to theirs 23 millions. Whilst only forty-two estates of the three first groups are necessary to form a block of 649 millions of francs, 296,000 estates of the last three groups are requisite to make a total of barely 666 millions of francs.

But we will not linger any longer over these figures which relate only to one year. Although from year to year the differences are insignificant, it is a good practice to take a series of years and calculate the average. This is what M. de Foville has done in the work from which we have quoted. He calculates the average of the years 1902, 1903, and 1904. Moreover, to render comparison easy, he estimates on the one hand, the proportion per 100,000 of the estates of the various groups, and on the other hand, the proportion which the amount of these estates bears to a milliard of francs. The result of his calculation is shown in the table on p. 14.

In commenting on these figures M. de Foville exclaims, "Here is the pyramid of fortunes—or at least its outline, and we could not wish for a more direct, relevant or precise answer to our inquiries. We will not aver that this reply is very consolatory. It reads like an arithmetical version of the phrase of Leo XIII, in his famous encyclical: '*Divitiarum in exiguo numero affluentia, in multitudine inopia.*' The contrast between the scattered general staff of contemporary Croesuses and the great army of

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TABLE II

PROPORTION OF THE DIFFERENT GROUPS OF ESTATES IN FRANCE
(Average of 1902-1904)

Groups of Estates.	No. of Estates in each Group per 100,000.	Total of the Estates com- prised in each Group per milliard Francs.
		<i>Millions of Francs.</i>
I. Over 50 millions of francs . . .	0.5	25.2
II. Between 50 and 10 million francs	2.25	26.8
III. " 10 and 5 " "	6.25	30.5
IV. " 5 and 2 " "	30	68.2
V. " 2 and 1 " "	84	90.2
VI. " 1 million and 500,000 francs . . .	187	96.5
VII. " 500,000 and 250,000 frs.	401	106.4
VIII. " 250,000 and 100,000	1,160	136.8
IX. " 100,000 and 50,000	1,849	97.1
X. " 50,000 and 10,000	10,881	180.0
XI. " 10,000 and 2,000	26,803	104.2
XII. " 2,000 and 500	27,146	30.7
XIII. " 500 and 1	31,450	7.4
Total	100,000	1000.0

the impecunious is here disclosed without any disguise."

But M. de Foville has not solved nor even approached the particular problem we have set ourselves. He has not pursued his calculations far enough to determine the share of the total wealth of the country which belongs to each of the groups of the possessors.

And yet only an exact knowledge of this distribution will enable us to escape from abstractions

and give us a vision which, in some degree, embodies the reality. How may we obtain it?

The first idea that suggests itself is to take the co-efficient which we have adopted to estimate the general wealth of the country, and multiply by this co-efficient—thirty-two—the average annual number and the average annual amount of each group of estates. Obviously we should adopt the average of the last quinquennial period for which we have the figures, 1909 to 1913.

But in doing this, we should obtain a figure lower than the reality. As a matter of fact, these figures only represent the net assets of the declared estates in each group, and not their gross total, without deduction of liabilities. Now, M. de Foville has taught us that, in order to compensate for the concealing of assets, it is necessary to take as a basis of valuation, not the net assets, but the gross amount of the estates. This gross total is not shown by the Finance Ministry in its group classification.

On the other hand, even if we knew the gross amount of the estates in each group, in multiplying it by thirty-two we should still be below the actual fortune of each group of possessors, as we should have left out of account gifts by living persons. And it would be quite impossible for us to add them, for, if the official documents informed us of the annual total amount of gifts by living persons, we should

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still be unaware of its distribution according to the groups of fortunes.

We must therefore abandon this method. But there is another one that is open to us. On the one hand, we know the total amount to be divided: at the time M. de Foville made his calculations this was 208 milliards; to-day, according to the average of the last five years for which the figures are known (1909-13), it is 225 milliards. On the other hand, the table compiled by M. de Foville, of the distribution amongst the various groups of possessors of one milliard of bequeathed property presents us, for the period 1902-4, with a picture in miniature of the distribution of wealth at this time, and the same method of calculation applied to the figures for 1909-13 would give us a picture in miniature of the distribution of wealth during that period of five years. Hence, by enlarging this reduced picture to a scale 225 times larger, that is, by multiplying all its parts—all the figures by 225—we shall discover the proportions as they exist in reality, and the actual shares of each group of possessors.

What is now the numerical importance of each of these groups? We know the number of estates: for 1909-13 the average was 363,565. If we multiply by thirty-two, we shall obtain the total number of potential estates, that is to say, the total number of actual possessors: 11,634,080.

But a table compiled, according to recent figures, on

the model of that of M. de Foville, apprises us of the proportion per 100,000 of each group ; hence nothing simpler than to calculate the share belonging to each group of a total of 11,634,080 persons. The result of these calculations is set out in the following table :—

TABLE III
GENERAL DISTRIBUTION OF FRENCH FORTUNES
1909-1913

Groups of Fortunes.	No. of Possessors.	Sum Total of Groups.	Average Fortune per Head.
		<i>Francs.</i>	<i>Francs.</i>
I. Over 50 million francs	31	4,860,000	156,774,000
II. Between 50 and 10 million francs	404	9,607,500	23,780,090
III. Between 10 and 5 million francs	1,049	8,820,000	8,408,000
IV. Between 5 and 2 million francs	5,119	16,695,000	3,261,370
V. Between 2 and 1 million francs	11,983	20,520,000	1,712,420
VI. Between 1 million and 500,000 francs	25,559	22,365,000	875,034
VII. Between 500,000 and 250,000 francs	54,098	23,557,500	435,459
VIII. Between 250,000 and 100,000 francs	153,454	29,992,500	195,449
IX. Between 100,000 and 50,000 francs	246,759	21,352,500	86,532
X. Between 50,000 and 10,000 francs	1,502,541	39,982,500	26,610
XI. Between 10,000 and 2,000 francs	3,374,349	21,262,000	6,301
XII. Between 2,000 and 500 francs	3,075,004	4,882,500	1,588
XIII. Between 500 and 1 francs	3,183,550	990,000	318
Total	11,633,900	225,000,000	

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This, then, is how the total private wealth of France is divided amongst her citizens.

If we amalgamate the fortunes of the first seven groups, that is, of fortunes greater than 250,000 francs, and on the other hand combine the other six groups of fortunes, that is (if I may still use this word), of fortunes from 250,000 francs to one franc, we find that the first which comprises less than 100,000 fortunes (98,243 exactly) with its 106 milliards, is nearly equal to the 117 milliards represented by the $11\frac{1}{2}$ millions of fortunes of the second group. The entire wealth of the nation is composed of two parts, nearly equal to each other, of which the one which is slightly smaller, belongs to less than 100,000 persons, and the other which is only a little bigger, belongs to more than $11\frac{1}{2}$ millions of persons.

If we put together the five highest groups of more than one million, and the three lowest groups of less than 10,000 francs, we find that less than 20,000 persons (18,586) share a round capital sum of $60\frac{1}{2}$ milliards, which is not far short of the 66 milliards which is divided amongst $9\frac{1}{2}$ millions of people.

If we classify the three highest groups and the two lowest we find that 1484 persons possess 23 milliards, which sum is nearly equal to the 26 milliards possessed by $6\frac{1}{4}$ millions of people.

Finally, in the scales of fortune, the thirty-one rich men of the first group weigh by themselves exactly

five times more than the 3,183,550 citizens belonging to the last group.

By the last group, we mean the last group of possessors (so far as that name may be given to those whose property fluctuates between 500 francs and one franc, and attains an average value of 318 francs).

For, below these, there are the others, those who possess nothing. "Do not forget," M. de Foville reminds us, "that the returns of estates ignores nearly half of those who die. Out of 750,000 deaths, less than 400,000 are taxed annually; and even after allowing for infantile mortality, the corpses are to be counted by hundreds of thousands which cannot be made to yield the regulation mite to the Charons of the Registry. Below the thirteen strata whose superposition forms the pyramid we have just examined, there is an obscure sub-soil, where are huddled together the nameless crowd of unfortunates, whose hands—and pockets, too—have always been empty. What privations, what sighs, what sterile toil, these myriads of coffins represent, which the Treasury permits to pass, without troubling—and for a good reason—to stop them on their way."

Vicomte d'Avenel made an identical assertion in the *Revue des Deux Mondes* for June 1, 1906: "In the fields and in the cities," he said, "there are millions of French people—nearly one-third of whom are adults—from whom no one inherits, and who are ignored

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by the Registry, because they have nothing to leave or to lose, living from hand to mouth, just making both ends meet, without caring or, perhaps, being able to have a balance on the right side."

Thus, Vicomte d'Avenel informs us that those members of the French nation, who possess absolutely nothing, number millions, "of whom nearly one-third are adults." Is it possible to find the exact number?

M. Raymond Poincaré, then Finance Minister, on June 14, 1906, from the Tribune of the Chamber, gave a figure which we may regard as official.

He stated that the number of persons who possessed absolutely nothing was, "after making all allowances," and omitting children, 7,500,000.

We must, therefore, add a last line to the table we have just compiled, with wording as follows:—

Number of persons.	Fortune in round figures.	Average fortune.
7,500,000	Nothing	Nothing

Such is the actual distribution of wealth in France. It is desirable to add that the contrasts we have disclosed do not diminish. They become sharper. This is brought out in a striking manner by comparing the returns of estates of 1902-4, studied by M. de Foville, and those of the last triennial period for which we have the figures, 1911-13.

From the table (opposite) one may see what was the average share per milliard of capital, trans-

mitted by inheritance in 1902-4, which belonged to each gradation of fortune, and what that average share became in the period 1911-13, that is, after an interval of only six years. Here are the figures:—

TABLE IV
PROPORTION OF INHERITANCES IN EACH GROUP IN 1902-1904
AND IN 1911-1913

Groups of Inheritances.	Total of Inheritances in each Group.		Increase + or Decrease — of the figures of 1911-13 as against 1902-4.	Percentage of Increase or Decrease.
	In 1902-4.	In 1911-13.		
	Millions of francs.	Millions of francs.		
I. Over 50 millions of francs	25·2	27·2	+ 2·0	+ 7·8
II. Between 50 and 10 millions of francs	26·8	48·8	+ 22·0	+ 82
III. Between 10 and 5 millions of francs	30·5	35·1	+ 4·6	+ 15
IV. Between 5 and 2 millions of francs	68·2	72·4	+ 4·2	+ 6·2
V. Between 2 and 1 millions of francs	90·2	92·7	+ 2·7	+ 3
VI. Between 1 million and 500,000 francs	96·5	99·5	+ 3·0	— 3
VII. Between 500,000 and 250,000 francs	106·4	102·7	— 3·7	— 3·5
VIII. Between 250,000 and 100,000 francs	136·8	132·9	— 3·9	— 2·8
IX. Between 100,000 and 50,000 francs	97·1	94·4	— 2·7	— 2·7
X. Between 50,000 and 10,000 francs	180·0	176·1	— 3·9	— 2·2
XI. Between 10,000 and 2,000 francs	104·2	92·7	— 11·5	— 11
XII. Between 2,000 and 500 francs	30·7	21·1	— 9·6	— 31·3
XIII. Between 500 and 1 francs	7·4	4·2	— 3·2	— 43·2

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Thus, from 1902-1904 to 1911-1913, what I may call the organic composition of French wealth has sensibly altered, in the direction of a larger representation of all groups of fortunes over 500,000 francs, without any exception, and of a lesser representation of all the groups of fortunes below this figure, without any exception.

The share belonging to the former, equated with 1 milliard, has increased by $38\frac{1}{2}$ millions, and naturally the share belonging to the latter has correspondingly diminished.

This is unmistakable progress towards the concentration of wealth. In fact, the number of multi-millionaires has considerably grown since the comparatively recent period of which the figures served as the basis of M. de Foville's calculations. In 1908 he wrote, relying on the figures for 1902-1904: "Out of 100,000 deceased persons whose funerals are followed by the Registrar, not even ten multi-millionaires are given up to him, even if such description be applied to people who leave at least 5 millions behind them." As a matter of fact, the proportion was only 9 per 100,000, as may be verified by turning back to Table III, p. 17. This assertion, however, is no longer true to-day—for the period 1911-1913, the corresponding proportion is 12.6 per 100,000. M. de Foville adds: "We do not think that there are 1000 or even 900 of these large fortunes in France to-day."

In reality, the figures at the disposal of M. de Foville do not support that assertion; in fact, by the application of the method we have described, they reveal 1086 fortunes of more than 5 millions. But the statistical details for 1911-1913 reveal 1484, as may be ascertained from Table III, which is an increase of 400, or 37%, during the few years between the period 1902-1904 and the period 1911-1913.

Naturally, there are the same contrasts between incomes. The Finance Ministry published in 1907, among the appendices to the Caillaux Report, the table overleaf showing the distribution of incomes in France, which table was compiled by the staff of the Ministry, on the basis of a number of indirect methods of estimation.

If we divide the round total of the incomes of each group by the corresponding number of incomes, we obtain the following average income for the different groups: 168,000, 69,000, 33,000, 14,600, 7173, 3890, 2841 and 1297 francs respectively. The average income of the first group is 129 times larger than the average income of the last. This means that the citizen with the former income at his disposal may spend in three days as much as the citizen with the latter income can spend in a year. Yet this result is only obtained by grouping, on the one hand, all incomes of more than 100,000 francs, and on the other hand, all incomes of less than 2500 francs. If

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TABLE V
DISTRIBUTION OF INCOMES IN FRANCE (1907)

Groups of Incomes.	No. of Incomes in each Group.	Sum Total of Incomes in each Group.
		Francs.
I. 100,001 francs and above .	3,400	572,000,000
II. Between 100,000 and 50,001 francs	9,800	674,000,000
III. Between 50,000 and 20,001 francs	51,000	1,673,000,000
IV. Between 20,000 and 10,001 francs	123,000	1,798,000,000
V. Between 10,000 and 5,001 francs	294,000	2,109,000,000
VI. Between 5,000 and 3,001 francs	446,000	1,735,000,000
VII. Between 3,000 and 2,501 francs	563,000	1,597,000,000
VIII. Between 2,500 francs and below	9,509,800	12,342,000,000
Totals	11,000,000	22,500,000,000

the scale be extended to the largest incomes and the most minute, we should surely discover that some people could spend in an hour as much as others in a year.

We can arrive at this result by an indirect method. We have shown that there are thirty persons in France who possess between them 4 milliards, 860 millions of francs, which means an average for each one (taking our number of 31) of 156,774,000 francs. Now, if we assume that their fortunes yield an average interest of 5% (a supposition which is certainly a modest estimate), their annual income is 7,838,700

francs, which means 21,476 francs per day, and 895 francs per hour.

How many poor people are there whose annual income does not reach this figure, or even half of it?

Let us leave generalities. In France there are more than $1\frac{1}{2}$ million home-workers. The Labour Department has made circumstantial inquiries into their condition, which have revealed a state of frightful poverty. Here are some of the facts taken from an analysis of the inquiry into the condition of the needleworkers.¹ It refers first of all to Paris.

An aged widow, who makes shirts at the rate of 30 centimes the piece, and trousers at the same price, earns a net annual sum of 180 francs; as she is soon fatigued, she cannot remain at the task longer than 6 hours each day. How does she manage to exist? Mystery.

A woman of 60 who makes women's under-clothing at Charonne, earns in a year 295 francs 80, her average day amounting to 10 hours. Fortunately, her husband, although aged, contributes his quota. Again, at Charonne, a woman of 35, spinster, reports annual earnings of 267 francs 50; another earns 304 francs by sitting at her machine for 11 hours daily. A widow of 45, skilful at various kinds of work, whose average working day is 15 hours (mark well this figure), receives 422 francs in 12 months,

¹ Paul Louis, "Homework," in the *Action Nationale* of September 10, 1912.

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after deducting all her expenses. We notice earnings of 300 francs for working days of 12 hours, and 248 francs for days of 16 hours, at least for certain months; and it can be imagined that the workwomen who receive these doles live in cruel poverty, deprived of all decent food and housing. In the district of Montparnasse a woman of 40 has to be satisfied with 315 francs, although she spends 10 to 11 hours daily in making up underskirts and dress protectors, more or less highly finished. Another, aged 53, who divides her time between making petticoats and men's shirts, is limited to 222 francs 50 as her annual reward. Another, aged 30, who lives alone with her three children, of course all young, only musters 279 francs 20, by making shirts. The authorities give her some assistance, but it is obvious that her distress remains heartrending, although she works for 12 hours at a stretch; as many as 16 hours at a time are worked by a spinster in the St. Fargeau district, who specialises in dressing gowns, and whose net profit, so far as the expression may be used here, is less than 400 francs. It is not surprising that the inquiry pronounces the hygiene of her abode to be bad. A woman of 40, in the Faubourg of St. Antoine, made 161 francs during the season, at the cost of a 15 hours' working day. As the dead season is a long one, she stitches hems on veils; by performing various workroom tasks, she manages to earn 225 francs; with these 386 francs, she has to

house and feed herself and support a daughter of 14; both mother and daughter are reduced to living on lentil soup for months at a time. Near St. Sulpice, a widow of 43, living with a child of 13, draws a wage of 285 francs 65 per annum for her labour of 15 hours daily.

In the Reuilly district a mother, aged 60, and her daughter, aged 28, both widows, make children's shirts and work for 12 hours. With their combined earnings of 325 francs 20 they have to provide for their own needs and those of the daughter's infant son. But we must limit ourselves; these examples, taken haphazard from among many others, are sufficient evidence of the privations inflicted on the home-workers of the capital.

Let us pass to the Provinces and continue this review of doles.

At Rouen, in the department of Seine-Inférieure, the following annual wages have been proved to obtain: 253 francs (12 to 13 hours per day), 294 francs (10 hours), 205 francs (15 hours), 157 francs (8 to 10 hours), 331 francs (10 hours), 202 francs (10 hours), 218 francs 50 (10 hours), 258 francs (12 hours). At Beauvais, in l'Oise, the inquiry produced the following results: 542 francs (10 to 12 hours), 149 francs (10 hours), 338 francs (10 hours), 250 francs (12-14 hours). At St. Quentin, in l'Aisne, where many home-workers are employed on women's trousseaux and baby-linen, the following figures are

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recorded: 327 francs (5 hours), 273 francs (6 to 7 hours), 383 francs (10 hours), 320 francs (10 to 11 hours). At Amiens, in Somme, the annual earnings given are: 286 francs (8 to 9 hours), 322 francs (8 hours), 316 francs (8 hours), 274 francs (9 hours), 188 francs (7 to 9 hours), 220 francs (12 hours), 190 francs (8 to 10 hours), 320 francs (10 to 12 hours). St. Omer, in Pas de Calais, is an important centre of homework for women's and children's linen. Three workwomen, a mother and two daughters, earned a total of 320 francs in a year; two others, mother and daughter, 526 francs; two others, sisters, aged 21 and 14, 172 francs. For working days which fluctuate between 6 and 14 hours, mention is made of individual doles of 254, 300, 245, 242, 143, 193, and 141 francs.

It is notorious how this work in hovels has developed in the Central departments. It is no better paid there than elsewhere, and the West is no better paid than the Centre. At Bourges there are doles of 175, 140, 108, 167 and 197 francs, for working days of 12 hours or more; at St. Amand, 211, 201 and 143 francs; at Romorantin, 156, 182 and 118; at Cholet, where handkerchiefs and household linen are made up, and where the working day frequently attains 15 hours, the doles are 229, 238, 258 and 330 francs; at Chateauroux, 215, 211 and 182; at Mans, 140, 180, 157, 117 and 218 francs. The distress is everywhere the same, and the problem

of existence is equally acute in all the departments. If we take the general result of the inquiry, we observe that in Aisne the working day is $11\frac{1}{2}$ hours in 18% of the cases examined; 34% for Alliers; 42% for Bouches du Rhône; 30% for Herault; 40% for Isere; 100% for Maine and Loire; 50% for Oise; 36% for Seine, and 52% for Seine-Inférieure. Annual earnings of less than 100 francs comprise 18% in Cher and Allier; earnings between 200 and 400 francs represent 51% in Sarthe; 44% in Meuse, Meurthe and Moselle; 43% in Somme, and 40% in Loir-et-Cher.

The results of the inquiry into the making of artificial flowers, published in 1913, are not less heartrending. In the Report of the Labour Department (p. 396), we find such records as these: "In Paris and suburbs, 38% of the makers of small flowers earn annually either less than 150 francs, or between 150 and 250 francs; 44% of the makers of artificial leaves are in this category, as are also 72% of the makers of celluloid and pearl flowers." We might be dreaming. We should like it to be a dream, in which we were struggling with the cruel fiction of a terrible nightmare. But no. These are actual facts.

Behold the "gains," the yearly gains, the gains of exhausting and injurious labour, which, to understand one side of the social question, must be contrasted with the incomes, nearly always obtained without

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working, with the "far niente" incomes of those who can spend millions every year, and hundreds of francs every hour of every day and night.

We gave, not long ago, a table showing the distribution of incomes, compiled in 1907 by the Ministry of Finance, in accordance with the information at its disposal. But to-day we possess a document of still greater value: direct returns of incomes above 3000 francs, in 1917, obtained by the operation of the Income Tax.¹ Unfortunately, there is one serious defect in these returns: they tell us nothing about incomes below 3000 francs. Moreover, as regards incomes above this figure, they are doubly incomplete, as they left out of their survey the extremely rich districts in the North and East, then occupied by the enemy; and they ignored the incomes of "a large number of those taxable, who, being mobilised and embarrassed, have enjoyed the full benefit of delays in declaration."

Nevertheless, the returns are of striking interest, and we feel bound to reproduce them here, adding thereto (1) the proportion which the income of each group bears to the total number of incomes; (2) the proportion which the total of the incomes of each group bears to the total of all the incomes; (3) particulars of the average income of each group. (See Table VI.)

¹ *Bulletin de statistique et de législation comparée*, du Ministère de Finances, 1917.

TABLE VI
DISTRIBUTION OF INCOMES ABOVE THREE THOUSAND FRANCS IN FRANCE, IN 1917

Groups of Incomes.	Number of Incomes.	Percentage of Income in each group.	Total of Incomes.	Percentage of total of Incomes in each group.	Average Income.
I. Over 150,000 francs	3,050	0.82	<i>Francs</i> 1,168,106,899	20.00	<i>Francs</i> 382,985,800
II. Between 150,000 and 100,001	2,665	0.72	323,078,926	5.55	142,639,700
III. " 100,000 "	2,271	0.61	200,849,770	3.45	84,441,100
IV. " 80,000 "	3,868	1.05	265,107,968	4.55	68,538,770
V. " 60,000 "	9,201	2.50	443,775,498	7.60	48,231,220
VI. " 40,000 "	32,771	8.90	894,839,873	15.30	27,305,840
VII. " 20,000 "	19,655	5.50	352,223,598	6.00	17,920,300
VIII. " 16,000 "	35,437	9.60	486,972,564	8.35	13,741,920
IX. " 12,000 "	75,963	20.60	734,115,601	12.35	9,664,120
X. " 8,000 "	182,673	49.70	985,383,086	16.85	5,394,240
Total . . .	367,554	100.00	5,854,453,783	100.00	

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I do not think it will be disputed that if Northern and Eastern France had been included in the returns the proportion of high and very high incomes would have been still greater. But, even as it is, this table is a striking confirmation of the conclusions we reached through a study of the estates returns. The sharpness of the contrasts is striking.

Let us amalgamate the first eight groups, that is to say, all incomes over 12,000 francs. The total thus obtained does not represent one-third of the number of incomes over 3000 francs; the proportion is exactly 30%. Now the sum total of these incomes represents more than two-thirds of the whole, or 71%. And the total of the last two groups, which comprise 70% of the incomes received, only accounts for 29% of the value of the whole. A result still more remarkable may be ascertained. The first three groups, which represent 7986 taxpayers, are possessed of exactly the same income—1 milliard, 7 millions—as the last two groups, which represent 258,638 taxpayers. Of a total of incomes amounting to 6 milliards in round figures, a tiny fraction of taxpayers, 2%, appropriates a share of 29%, practically equal to the share which must satisfy the enormous proportion of 70% of the taxpayers.

Such are the harsh contrasts disclosed by statistics, which leave out of account the great mass of small and insignificant incomes below 3000 francs, which

were more than nine-tenths of the whole in the returns for 1907.

If we make use here, for the purposes of the lowest incomes, of the details gathered from the inquiries of the Ministry of Labour, in default of any particulars from the Ministry of Finance, which may decide some day to take all the incomes of France into its survey, we are authorised to say that this scale, whose highest point registers an average income of 383,000 francs, would include, if complete, a lowest point, where hundreds and thousands of incomes do not reach an average of 383 francs.

In comparison with the statistics for 1907, those of 1917 furnish us with valuable indications as to the movement of incomes in France. I quite realise that we must not forget that the latter are derived from the operation of the Income Tax, and result from the direct declarations of the taxpayers, whereas the former were compiled by the Ministry of Finance, with the help of various sources of information. We must not, therefore, expect a comparison that is absolutely exact. But, on the other hand, it is equally impossible not to attach some value to statistics which the Ministry of Finance felt justified in submitting to Parliament in 1907 as a useful way of explaining its guiding principles.

The comparison cannot be sustained by absolute figures drawn from all sides; in the one case, we are concerned with the whole of France, and with all

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liable to taxation—in the other with France minus certain provinces and only a part of the taxpayers. But in both cases, as regards all the groups of incomes taken into account, it is possible to determine (1) the percentage of the number of incomes of each group in relation to the total number of incomes; (2) the percentage of the amount of incomes of each group in relation to the total amount of incomes. And thus it will be possible to make comparisons as to the relative increase or decrease of this or that group of incomes.

In spite of the general diversity in the arrangement of the groups in the two sets of statistics, it is possible to collate the whole of their results, if we form the three following groups: incomes of over 100,000 francs: incomes between 100,000 and 20,000 francs: incomes between 20,000 and 3,000 francs. To facilitate comparison, we have equated the numbers of incomes of each group with 100,000, and the total amount of incomes attaching to each group has been equated with a milliard francs. This is an application to incomes of the method adopted by M. de Foville in his comparative study of the different groups of estates.

Having given these explanations, here are the results of our calculations.

The results of this double comparison are thrown into such extraordinary relief that it is impossible (even after giving due weight to the reservations

TABLE VII
THE DISTRIBUTION OF INCOMES IN FRANCE IN 1907 AND IN 1917.
(COMPARISON)

Groups of Incomes.	In 1907.	In 1917.	Increase + or Decrease —.	Percentage of Increase or of Decrease.
<i>I. No. of Incomes of each Group on 100,000.</i>				
I. Over 100,000 francs	366	1,355	+1,189	+325 %
II. Between 100,000 and 20,000 francs	6,558	13,090	+6,532	+99.6 %
III. Between 20,000 and 3,000 francs	93,076	85,355	-7,721	- 83 %
	100,000	100,000		
<i>II. Sum total of Incomes of each Group on a Milliard of Francs of Income.</i>				
	Francs.	Francs.		
I. Over 100,000 francs	66,814,000	254,708,000	+187,890,000	+281 %
II. Between 100,000 and 20,000 francs	274,150,000	308,242,000	+ 34,090,000	+12.4 %
III. Between 20,000 and 3,000 francs	659,035,000	437,055,000	-221,980,000	-33.7 %

mentioned above) not to attribute great value to them. Out of 100,000 incomes above 3000 francs, the statistics for 1907 only counted 366 incomes above 100,000 francs; the 1917 statistics counted 1555, or more than fourfold. The first set of statistics only included 6558 incomes between 100,000 and 20,000 francs; the second set counted 13,090 of such incomes, or just double. On the other hand, the first statistics recorded 93,076 incomes between 20,000 and 3000 francs, and the second did not reveal more than 85,355.

Again, out of every milliard francs of income, the proportion of incomes above 100,000 francs was only

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67 millions of francs, according to the statistics for 1907, and in 1917 it jumped to 255 millions; the proportion of incomes between 100,000 and 20,000 francs was 274 millions; it increased to 308 millions, and the proportion of incomes between 20,000 and 3,000 gradually descended from 659 to 437 millions between these dates.

This marks accelerated progress in the organic composition of French incomes. The expansion of large and very large incomes is enormous. Doubtless to a great extent these figures express the gains of the war, the war which ruins and enriches with equal indifference.

But this movement had certainly begun before war broke out. Our comparison of estates for the period 1902-4 and those for the period 1911-13 has enabled us to demonstrate an increase in the shares which accrue to large and very large fortunes. We are now exhibiting the same tendency in the sphere of incomes. The parallel is close enough; in the one case, out of every milliard of income, there is an augmentation in the proportion represented by incomes of more than 20,000 francs, and a diminution in the proportion represented by incomes below this figure; in the other case, out of every milliard of capital transmitted by death, there is an increase in the proportion represented by all the groups of estates below this figure. But a capital of 500,000 francs yields an income of from twenty to twenty-five

thousand francs. The two results, so independent of each other, have therefore precisely the same meaning, and wonderfully corroborate each other.

They express in a remarkable manner the same reality and the same tendency, the irresistible tendency towards capitalist concentration.

In every country where statistics have been published, we arrive at similar conclusions. The annual register of Prussian statistics for 1914 contains a summary, not only of all incomes affected by the tax, that is, above 900 marks (or 1125 francs) but also of incomes below this figure. This is a document of the greatest interest. Now, this summary shows that the 8,570,418 incomes below 1125 francs constitute a total sum lower than that of the 146,000 highest incomes. The proportion represented by the former is 5,145,137,000 francs, and that of the latter is 5,371,062,000 francs. A section of the nation, which does not even form the hundredth part (0.89%), possesses exactly one-fifth of the national income, whereas another section, which represents more than one-half of the nation, only possesses a slightly lower proportion. As regards the tendency towards concentration, here are figures which are particularly significant. In 1913, there were 4747 taxpayers having incomes above 100,000 marks (125,000 francs), in 1914 there were 5215, and in 1917, 13,327.

The sum total of their incomes increased from 1 milliard, 452 millions of francs in 1913, to 1 milliard,

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582 millions in 1914, and 2 milliards, 227 millions in 1917.

The economist, Chiozza Money, has estimated that the total national income of England is divided approximately as follows: one-half (about 22 milliards of francs) amongst 38 millions of people, one-sixth (or 7 milliards, 300 million) amongst $3\frac{3}{4}$ millions of people, and two-sixths amongst $1\frac{1}{4}$ millions of people. Almost one-half of the total income belongs to no more than one-eighth of the population, and more than one-third to a fraction which is less than the thirtieth part. As for the wealth of the country itself, it appears, from figures furnished by the same author, to be almost entirely concentrated in the hands of persons who, with their families, do not represent one-eighth of the nation (5 million persons, out of 43 millions) and that more than one-half is retained by about one seventy-sixth part of the population.¹

What shall be said about the concentration of land? 38,000 families monopolise more than 11 millions of hectares, about 84% of the land under cultivation; the peers, to the number of 500, themselves own 2,320,245 hectares, about 17% of the total surface, and four of them own nearly the whole of the land on which London is built, which secures to them an annual rent of some 400 millions of francs. In 1904, on the occasion of the birth of the richest heir amongst them the English newspapers published details and figures

¹ *The Reformer's Year Book*, 1907.

upon this subject so imposing that they crossed the Channel. I should be sorry to deprive my readers of these pleasant particulars.

“The little Duke of Westminster, who will one day be the richest ground landlord in London, has just been born at No. 13, Upper Grosvenor Street, London.

“The capital of the United Kingdom, is, in reality, the almost exclusive property of four large proprietors, whose names are the Duke of Westminster, the Duke of Portland, the Duke of Bedford, and Viscount Portman.

“Lord Portman owns 2000 houses, distributed over about 100 hectares of the West End, the richest part of London. As all the leases of these 2000 houses expired in 1888, sixteen years ago, he found himself in the agreeable position of being able to increase his rents sixfold, the price of houses having considerably advanced.

“Almost adjoining the property of Lord Portman is that of the Duke of Portland, even more fashionable and aristocratic than the other. The Duke of Portland numbers among his tenants Mr. Brodrick, the Secretary for India, the Liberal ex-minister Mr. Bryce, the famous solicitor Sir George Lewis, Prince Edward of Saxe-Weimar, etc.

“The patrimony of the Duke of Bedford comprises the neighbourhood surrounding the British Museum : Covent Garden, Bloomsbury, etc. The London

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markets are situated on his property, and from them the noble duke derives most revenue. On every basket of strawberries sold in the market the duke levies an indirect toll of a penny. It is not much, but, repeated on every fruit, this penny represents at the end of the year 250,000 francs.

"But the richest of all is the Duke of Westminster. His patrimony comprises no less than 12,000 hectares, of which his London property constitutes 250 hectares. It has thus been estimated that the little duke just born will one day have 25 francs to spend every minute."

And the journalist concludes his article with the sole comment: "Fortunate youngster!"

It will be remembered that in 1909, the Lords came into conflict with the people, who wanted to tax their rents for the purpose of Old Age Pensions. This became a struggle between their Chamber, the House of Lords, and the people's Chamber, the House of Commons. Eventually the Lords were obliged to capitulate. They were told some necessary truths, and ended by understanding them. It may be useful to recall the strong language uttered at that time by the Chancellor of the Exchequer, Mr. Lloyd George, whose Budget, rejected by the Lords, contained the measure. At a meeting at Newcastle, on October 24, 1909, he said: "Let them realise what they are doing. They are asking for a revolution. (A voice: And they will have one.) But the Lords may decree a revolution which the people may direct.

If they begin it, it will have consequences which they hardly realise. Questions will be asked, which are now insinuated in a humble manner, and answers will be peremptorily required of them. It will be asked why five hundred men—ordinary men—chosen accidentally from among the unemployed (laughter) should dominate the deliberate judgment of the millions of men engaged in the industry which creates the wealth of the country. This is one of the questions. Another will be: Who has ordained that a small number of people should possess the land of Great Britain as their patrimony? Who has made 10,000 men owners of the soil, and the rest of us trespassers on the land of our birth? Who is responsible for the order of things where one man is obliged to work throughout his life to secure a miserable and precarious existence, and where, at the end of his life, when he asks the community to grant him a poor pension of eightpence per day, he can only obtain it by a revolution; while another man, who does not work, receives every hour of the day and every hour of the night, while he sleeps, more than his poor neighbour receives for a whole year of work? Who has put this in the table of the law? What finger has written it there? These are the questions that will be asked.

“The answers are fraught with danger to the order of things which the peers represent.”¹

¹ *Le Matin*, November 29, 1909.

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But the summits of the highest incomes and the largest fortunes are overtopped—and by how many miles?—by the golden kings on the other side of the Atlantic. The Income Tax returns of the United States for 1914 included twenty incomes above 50 millions of francs, that is to say, twenty incomes each of which represents, at the rate of 5%, a capital of at least a milliard of francs.

The taxed income of Mr. William Rockefeller was 65 millions of francs; that of Carnegie, 75 millions of francs; of John Rockefeller—the great Rockefeller, the Petroleum King—500 millions of francs. At the rate of 5%, this would be a capital of 10 milliards—but, at these altitudes, one is not content with interest at the plebeian and commonplace rate of 5%.

We are dealing with milliards. Can you realise clearly what a milliard is?

A milliard. This is a magnitude which transcends, wildly and tremendously, all our customary standards of measure. In talking of milliards, we abandon all ordinary measures, and all usual standards of measurement and calculation, as when we speculate, in a state of intellectual intoxication, bordering on delirium, upon the duration of geological epochs, the distances which separate the heavenly bodies from each other, or the length of time occupied in the transmission to us of the rays of the sun, at a speed of 300,000 kilometres per second.

A milliard is a thousand millions. Let us try,

However, to find some indications which will guide in the endeavour to grasp the significance of a milliard.

If, night and day, every ten minutes, trains of twenty waggon, each carrying 10,000 kilos, started on a railway to carry a milliard kilos of goods, 5,000 trains would be required to run during a period of 17 days, 17 hours and 20 minutes.

To despatch 1 milliard kilos of goods in a single train, 100,000 waggon, carrying 10,000 kilos each, would be needed. A waggon of this kind, measuring 10 metres from buffer to buffer, would have a total length of 700 kilometres, or within 8 kilometres of the double length of the track between Paris and Antwerp.

The pendulums of our clocks will tick the thousand millionth second of the twentieth century

September 10, 1934, at 1 hour 46 minutes 10 seconds a.m.

A milliard cubic metres, in 124-litre Auer burners, from sunset to sunrise, or 4374 hours per annum, would be sufficient to feed 18,289 burners for a century.

A 20-franc gold piece weighs 6 gr. 452; a kilogramme of gold would therefore be worth 3099 francs 81. On the other hand, a cubic decimetre of gold metal weighs 19,300 kilos. A milliard in gold thus represents 18 cubic metres 798, and weighs 2,600 kilos 411 grammes.

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A silver franc weighs 5 grammes. A milliard in silver would therefore weigh 5 million kilos, and would require for its transport 500 waggons of 10,000 kilos, thus forming a train $3\frac{1}{2}$ kilometres long.

This, then, is what a milliard is. This is the standard we require to measure the fortunes of the magnates of capital in the United States, and even the incomes of some of them; that of Rockefeller, for example, amounts to half a milliard.

Half a milliard to spend every year. Or 1 million 370,000 francs per day. 951 francs per minute. 15 francs 80 per second.

951 francs per minute, instead of the shabby 25 francs of the little Duke of Westminster. We are almost tempted to say, in answer to the aforementioned journalist, "Poor little chap!"

But, also in this sphere of inexhaustible wealth, what fantastic spending, what insanity of ostentation, in the dissipation of the millions! "Miss Vanderbilt was married yesterday," announced the newspapers on January 28, 1908. And they proceeded to give us details. "The floral decorations cost the sum of 250,000 francs."¹ On December 29, 1907, New York cabled, "One of the richest bankers of Philadelphia, Mr. James Paul, has just given a magnificent ball in this city, on the occasion of the début of his daughter. The expenses came to more than 500,000 francs, of which 120,000 francs were for flowers.

¹ *Le Matin*, January 28, 1908.

"The chief attraction of the evening was to let loose in the hall a collection of very rare butterflies, captured in South America and the Indies."¹

Here are some samples from the shelves of the toy-cupboard for multi-millionaires, which I take from the 1910 Christmas number of *Lectures pour tous*.

"In 1908, the daughter of Mr. Archibald Sharon, a rich landowner of Los Angeles, found in her stocking a doll, of which there is, perhaps, not another in the world.

"First of all, the face had been specially modelled in wax by Mr. Joe Tyson, a celebrated American sculptor; then a phonograph, hidden in Kitty's stomach, enabled her to hold the most interesting conversations with her mistress, her lips and eyes moving the while. Finally, Kitty walked all alone when a key in the middle of her back was turned. But this is not all. The doll was accompanied by three trunks, containing a complete trousseau, a perfect work of art, beribboned and embroidered. There were ten dresses made by the best costumiers—one of Valenciennes lace of exquisite beauty—dressing-jackets, tea-gowns, opera-cloaks, sporting costumes, furs, hats, shoes, gloves and jewels. Further, Kitty possessed a bedroom in Circassian wood, fitted with electric light and bells, diverse articles of furniture and toilet accessories in silver. A special

¹ *Le Journal*, December 30, 1907.

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domestic was in charge of this magnificent toy, which cost not less than 8,000 dollars."

"The son of Harry Payne-Whitney and Mrs. Whitney, *née* Vanderbilt, whose baby outfit cost 80,000 dollars (400,000 francs), received for his first Christmas gift a rattle made from an elephant's tooth and encrusted with gold and precious stones, from the end of which dangled little golden bells. This trinket, destined to assist baby's dentition, cost the trifling sum of 800 dollars.

"This little Payne-Whitney is the cousin of the young Vanderbilt who, with his parents, came to France last year. No one knows yet what next Christmas reserves for him in the way of presents, but the insurance companies are quite well aware of the value of the playthings already in his possession. As a matter of fact, before embarking for Europe, his father had to insure the child's toys, in case they were lost or broken during the voyage, for the pretty sum of 125,000 francs.

"When one pays a price like this, one has the right to expect scientific wonders. We describe the extraordinary present which surprised the son of a Baltimore multi-millionaire. On his mother opening the door of a room, *where workmen had been employed for months*, he found a monster mechanical toy, representing an entire village, with its church, its school, its houses, its farms, its river, its mills, etc. One only needed to press a button, and soon boats would be

seen, coming and going on the lake, propelled by vigorous oarsmen, carts running along the road, the miller climbing up his ladder with a sack on his back, the sails of the windmill revolving ; one heard the clocks of the village striking and the cocks crowing in the farmyard ; children played with marbles in the market-place, and horses neighed close by the inn ; there was even a big wheel, in the middle of the fair, which turned round and round with its cargo of passengers. All this colossal machinery was driven by electricity, generated by a waterfall in the park.

“ When it is a question of playthings of this nature, no doubt one can easily spend a fortune. Modern industry manufactures little railways, which are the delight of our children. But what would they say if they were acquainted with the one possessed by young Ralph Sullivan of Philadelphia ? It cost 50,000 dollars, or 250,000 francs, and his father, who made his millions out of sugar, gave it to him for his sixth Christmas present. The course is 76 metres long, and winds round a large tract specially adapted for that purpose. As in the case of real railways, the rails are bolted to sleepers which are covered with ballasting. A network of telegraph and telephone wires run all along the route, and the trains are protected by electric signals of the block system. But the engines are the miracle. They are driven by alcohol at a speed of 14 miles an hour, and each one of them measures, with the tender, 1 metre.40. Cost :

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750 dollars! The carriages are upholstered most luxuriously, and the saloons are furnished with cushions and carpets, mirrors and sofas 'to scale.' There is no sight more thrilling than to see, especially in the evening, the express emerging from the tunnel, puffing steam and losing itself in the narrow way, bounded by real grass and dwarf trees.

"Do you know what Mr. Carnegie gave his little daughter for a fifth Christmas gift? Nothing less than a palace in Fifth Avenue. The steel-king, who was in England, suffering from influenza, crossed the Atlantic expressly to hand the keys of this enchanting dwelling to little Margaret. It cost him 12,500,000 francs, and contained 80 rooms. There was a picture gallery, occupying two floors, and a music room with an organ worth 100,000 francs. The private apartments of Miss Carnegie comprised a large day-nursery and a night-nursery; kitchens and special offices, a large dressing-room and bathroom. *Thirty-five servants awaited the orders of the little fairy of millions.*"

Behold to what lengths of frivolity, and in a direction which is not the least edifying or the least agreeable, the gratification of the whims of the rich can proceed, while elsewhere, in other sections of the population, so many vital needs clamour in vain for satisfaction. "If an inhabitant from another planet," once wrote Émile de Laveleye, "remarked on our earth millions of men engaged in making useless

things, like jewels, or harmful things, like opium or spirits, and, by their side, millions of other men in extreme penury, he would certainly say: What a stupid, frivolous and barbarous race of men! They spend their time making baubles and frippery, and lack the wherewithal to eat and clothe themselves."¹ Yes, our race richly deserves this censure, and from his remote observatory, the inhabitant of Mars or Sirius would form a very judicial estimate of our position. But a summary condemnation is not sufficient; we must seek the cause, and understand and explain it.

Now the cause is fundamentally the extravagant and scandalous distribution of wealth, which we submit to and tolerate. "For the needs of the rich," writes Boehm-Bawerck, very properly, "productive forces without number are constantly in activity, even when at the same moment there is a shortage of men and materials in other branches of the national economy. Why? Because the excessive sums which the rich are able to offer to obtain satisfaction of their needs never fail to exert their force of attraction throughout all branches of production, as far as the storehouse of primary-productive forces."²

The United States is not only the country of the biggest fortunes, but also, and quite naturally, the

¹ Quoted by Vandervelde in his brochure on the *Socialist Regime*, Brussels, 1906, p. 19.

² *Kapital und Kapitalismus, Positive Theorie des Kapitals*, 3rd edition, t. II, p. 421.

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scene of the sharpest social contrasts. "Half a century ago," stated the Professor of Political Economy, Henry Laurens Call, in 1906, "there were only fifty millionaires in the United States, and their collective fortunes only amounted to 100 millions of dollars, about 10 % of the national wealth. To-day, Mr. John Rockefeller alone possesses more than a milliard of dollars and an income of between 70 and 100 million of dollars, equivalent to a fortieth part of the national income. This concentration of wealth results in the division of society into two classes, one excessively rich, and the other wretchedly poor. Of our six millions of farmers, one-third are tenants and the other two-thirds have mortgaged their property. Our eighteen millions of salaried workers receive an average of 400 dollars (2000 francs) per annum, and nine-tenths of our merchants have failed."¹

From stage to stage the pyramid of incomes descends in the United States, as elsewhere, to the lowest stage of all, which corresponds to home-work. I want to conclude this chapter by reminding the reader of this hideous and shameful sore.

In 1907, at Geneva, I visited an International Exhibition of Home-work, organised on the occasion of the first International Conference of the Social Union of Merchants. The products of the home-

¹ Conference held at Columbia University under the auspices of the American Society for the Promotion of Science ; *Daily Telegraph*, December 29, 1906.

work of a large number of countries met the eyes of the visitors, who were able to read on the tickets a series of instructive details, notably the time spent on the work and its remuneration. The sweating of Paris jostled that of Berlin ; that of New York hustled that of London. It resembled a caravanserai of the most abject miseries in the world, which had thus met together in order to proclaim their horror and the shame of our civilisation.

I extracted the essential details from most of the notices, of which I published a certain number at the time,¹ and others are now before me. And I propose to contrast some of these wretched wages with the fantastic incomes we have just been considering.

London. Silk blouses of very fine quality. The pay is 5 francs a dozen. By working 15 hours a day, one earns 10 francs per week, from which 1 franc 25 must be deducted for materials. Thus, 8 francs 75 for 90 hours' work, or 9·7 centimes per hour.

London. Fixing hooks on cards. This work is rewarded at the rate of 90 centimes for 24 gross, which means that the fixing of 380 hooks, work which is performed with a needle, produces 10 centimes. For an average working-day of 14 hours, the weekly wage is 5 francs. The notice informs us that the employers ascribe the "lowness" of this wage to foreign competition. Foreign competition? We are

¹ In the *Revue des Revues* of March 15, 1909, under the title, "The Workers and Home Work."

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provided by accident with a means of checking this statement. Exactly in front of the British Exhibition, in the French Section, there is a specimen of the same work, made in Paris. Hooks are fixed on a card which bears the trade-mark of one of the big shops of the capital. The workwoman is paid 2 francs 40 for every 100 cards. Each card has 6 rows of 12 hooks, that is 72 hooks. After a period of training, the notice tells us, a person can make 25 cards a day. In 10 hours one earns 60 centimes, and in one '06 centimes.

Six centimes per hour at Paris, and at London 5 francs for six working days—I should hope not more than six are worked in the week—5 francs for six days of 14 hours, or for a total of 84 hours, which is 5 centimes '99 per hour!

Six centimes at Paris, 5 centimes '99 at London. Yes, Paris competes disgracefully with London, and London with Paris. Their starvation wages meet at this level of desolation, of using-up and extinction of bodily strength, where the murderous combat of those under the hammer ceases, for lack of bidders.

On a big white card there is a selection of Louvesc beads; there are coral beads, jet beads, single and double chains of beads, mother-o'-pearl beads, chains of steel beads. The custom is to pay 20 centimes a dozen for the steel beads when the string is made of steel, and 30 centimes for plated silver. We are not

told how many dozen can be strung each day, but according to the information given for other kinds, it is certain that the most is two dozen. Pearl beads are paid for at the rate of 30 centimes a dozen ; one can string two dozen a day. For coral beads, the pay is 15 centimes the dozen, and about two dozen can be made per day. We have now reached a wage of 30 centimes a day. But this is not the lowest. Jet beads, single rows, are paid for at the rate of $12\frac{1}{2}$ centimes a dozen, and a person can make a dozen to a dozen and a half per day, which represents a daily wage of $12\frac{1}{2}$ to $18\frac{3}{4}$ centimes.

The explanation of these facts—which make one giddy—is provided by the attached notice, the tone of which is one of complaisance, almost of optimism.

“The beads are threaded at home. In the neighbourhood of Ambert, beads are threaded while looking after cattle, or watching the saucepan. This work brings in an addition to the family earnings. Children may commence this work from the age of eight to ten years.

“Working together in the evenings, children, women and men make beads. The current price is between 1·40 and 5·20 the gross. In spite of this low wage, the bead industry is a real boon to the district.”

It may, indeed, be possible that this industry is, in fact, a boon to this district, which only proves how low the standard of life of the inhabitants of this part of Auvergne must have been, for a labour so abomin-

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ably remunerated to represent for them "a real boon." But I ask whether it would not be a thousand times better for the race if children of eight to ten years old spent their evenings in resting or sleeping instead of threading beads, doubtless for long hours, for a few centimes or fractions of centimes.

And now here are some examples taken from the United States Section—from the country of multi-millionaires.

A baby's muslin dress, richly embroidered, very beautiful, attracts our attention. The embroidery work is paid for at the rate of 1·25 for a dozen dresses, and we read on the ticket that, by working 14 to 16 hours a day, the workwoman earns 50 to 60 centimes per day. This is about 4 cents an hour. Working 14 to 16 hours for 30 days a month, she will have 15 to 18 francs at her disposal.

Close by its side is a child's crochet jacket ; 2 francs 50 are paid for a dozen. Working an average of 60 hours a week, the workwoman makes two dozen, and earns 5 francs, about 8·33 per hour.

Below, we find open-work embroidery paid for at the rate of 1 franc 30 for the 100 metres. The workwoman earns 5 centimes per hour, and 13 francs *per kilometre*.

Behold what a fearful distance divides the summits from the base! what a fearful distance separates nameless opulence from nameless poverty!

In the one case, the mind is racked to know how

to spend. In the other, the pangs of hunger are suffered every working moment.

These summits, reaching ever higher, and the foundation remaining always the same, constitute the measure of the formidable dimensions, often so strangely misunderstood, of the social question.

CHAPTER II

THE PHYSICAL REACTIONS OF THE SOCIAL INEQUALITIES

SOCIAL inequalities—it cannot be too often insisted—dominate and control all forms of life, including its physical side.

The various social classes have unequal rights to physical development, to health, and to life. They are not equal in the face of death.

At Lausanne the mortality of children under one year, estimated per 1000 inhabitants, is 0·19 in the wealthy districts, and 4·50 in the poor districts; the mortality of children between one year and two years, estimated on the same basis, is 0·17 in the wealthy districts, and 1·41 in the poor districts; finally, the general mortality is 12·5 amongst the former, and 22·5 amongst the latter.¹

In France a direct comparison can be made between the mortality of workmen and employees and that of masters, and between the mortality of workwomen

¹ A. Niceforo, *The Poor Classes; Anthropological and Social Researches*, pp. 91-101, based on the Inquiry into the Housing Conditions of Lausanne, undertaken by the Municipality in 1894.

and employees and that of mistresses. The figures speak with brutal eloquence. The numbers set out in the table below represent the death-rate of each group as compared with 10,000 living persons of the same group (according to the average of the years 1907 and 1908).¹

TABLE VIII
THE DEATH-RATE IN FRANCE AMONG BROAD SOCIAL GROUPS

Ages.	Masters.	Employees.	Workmen.	Mistresses.	Employees.	Workwomen.
25-29 years . .	62	80	72	59	62	76
30-34 " . .	67	95	95	67	69	92
35-39 " . .	75	110	117	64	67	98
40-44 " . .	89	131	159	75	83	116
45-49 " . .	115	180	208	92	111	135
50-54 " . .	140	227	261	118	144	164
55-59 " . .	206	330	372	169	209	203
60-64 " . .	287	470	487	266	333	288
65-69 " . .	487	702	757	439	577	431
70-79 " . .	1,073	1,224	1,543	1,026	1,323	980
80 years and over .	3,889	3,201	5,355	3,827	3,641	3,690

Thus, for example, between the ages of forty and forty-four, out of 10,000 individuals of each group there died 89 masters, 131 employees, 159 workmen, 75 mistresses, 83 employees, 116 workwomen. Between the ages of forty-five and forty-nine,

¹ Mortality according to profession, based on the deaths registered in France during 1907 and 1908, by Michel Huber, Assistant-Director of the General Statistical Department of France, in the *Report of General Statistics of France*, first year, pp. 406 and 409.

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115 masters, 180 employees, 208 workmen, 92 mistresses, 111 employees, 135 workwomen, and so on.

The mortality from tuberculosis is undoubtedly determined by the economic factor. "By making use of certain methods of estimation, which mutually check one another," writes Dr. E. P. Leon-Petit, "it has been possible to classify the various districts of Paris, according to the average social position of the inhabitants, into luxurious, rich, comfortable, poor and penurious. If two maps of Paris are prepared, based on the indications given: (1) a map showing the degree of well-being, and (2) a map showing the degree of mortality from tuberculosis, it will be seen that the two maps are almost identical.

Degree of Well-being.

Luxury	8th, 9th, 16th Arrondissement.
Wealth	1st, 6th, 7th, 17th Arrondissement.
Comfort	2nd, 3rd, 4th, 5th, 10th Arrondissement.
Poverty	11th, 12th, 14th, 15th "
Penury	13th, 18th, 19th, 20th "

Mortality from Tuberculosis.

Very Feeble	8th, 9th, 16th Arrondissement.
Feeble	1st, 6th, 7th, 17th Arrondissement.
Medium	2nd, 3rd, 4th, 5th, 10th Arrondissement.
Strong	11th, 12th, 15th, 18th "
Very Strong	13th, 14th, 19th, 20th "

"The luxurious districts 8, 9, and 16, are precisely those for which tuberculosis is comparatively benevo-

lent. The poverty-stricken districts 13, 19, and 20, are those where phthisis makes the most cruel ravages ; between the happiest and the most miserable districts the variation in the mortality from tuberculosis is as 1 to 5.

“Coefficients of tuberculosis mortality :

8th Arrondissement (richest)	178.
13th „ (poorest)	812.”

Similar results were announced and identical assertions made at the International Conference for Tuberculosis held at Paris, in October 1909. “There is a close connection,” said Dr. Maximilien Sternberg, of Vienna, “between the death-rate from tuberculosis and economic factors, such as the rate of wages, overcrowding and unemployment.”

“Statistics show,” said Dr. Romme, for his part, “that the frequency of tuberculosis is in almost inverse proportion to the rate of incomes. After allowing for the elements of infection and contagion, one may say that tuberculosis is an operation of the economic condition of the individual.” M. Ch. Woillot, Secretary of the French Federation of Paper Industries, called tuberculosis “the disease of poverty.” Messrs. Courtois, Suffit, and Charles Lanbry declared that it was “not so much a contagious illness as a social fact,” and M. Leon Bourgeois, President of the Congress, defined it as “a social scourge.”

Yes, the stratification of social classes and the scale of economic conditions is reflected with a distressing

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exactitude in the tables of mortality. The poor classes are literally condemned to death—condemned to die before the hour of normal, natural death.

They are deprived, socially deprived, deprived by the structure of society, deprived by the law of their economic condition, of the possibility of a complete and normal physical development.

Some years ago, in 1905, there appeared a singularly impressive book on this subject. The author, the Italian anthropologist and sociologist, Niceforo, in his capacity of Professor at the University of Lausanne, was able to conduct a minute inquiry into the physical development of several thousands of school children of that town. He obtained the necessary information for the classification of the children according to the economic status of their parents, and, proofs and figures in hand, he arrived at this conclusion, that physical development was dependent on the economic situation. To be exact, we give on p. 61 some of the results of his observations.

"These figures," concludes the author, "show clearly enough that well-to-do children, boys and girls, are always, at every age, a head taller than the poor children."

And in reference to weight, the averages are shown in the table on p. 61.

"The examination of these figures shows that the same phenomenon as we observed for the height, is repeated for the weight; we note that the com-

TABLE IX

COMPARISON OF THE HEIGHT OF WELL-TO-DO CHILDREN AND POOR CHILDREN IN THE SCHOOLS OF LAUSANNE (1902-1904)

Ages.	Boys.		Girls.	
	Well-to-do.	Poor.	Well-to-do.	Poor.
	<i>Centimetres.</i>	<i>Centimetres.</i>	<i>Centimetres.</i>	<i>Centimetres.</i>
7 years . .	120'0	116'1	—	—
8 „ . .	126'2	122'5	123'3	119'5
9 „ . .	129'4	123'9	129'6	124'4
10 „ . .	134'2	128'9	135'2	129'7
11 „ . .	135'2	134'2	137'4	134'1
12 „ . .	140'5	138'8	142'9	140'1
13 „ . .	144'4	140'5	148'2	146'5
14 „ . .	150'1	146'2	152'6	146'4

TABLE X

COMPARISON OF THE ACTUAL WEIGHT OF WELL-TO-DO CHILDREN AND POOR CHILDREN

Ages.	Boys.		Girls.	
	Well-to-do.	Poor.	Well-to-do.	Poor.
	<i>Kilogr.</i>	<i>Kilogr.</i>	<i>Kilogr.</i>	<i>Kilogr.</i>
7 years . .	23'0	21'1	—	—
8 „ . .	24'2	23'0	24'0	22'5
9 „ . .	26'5	24'7	26'1	24'2
10 „ . .	28'5	26'9	28'7	26'3
11 „ . .	29'6	29'4	30'8	29'1
12 „ . .	32'3	32'3	35'8	33'6
13 „ . .	35'3	33'5	38'1	37'5
14 „ . .	40'5	37'8	44'9	41'7

fortably-placed children, at all ages, both boys and girls, weigh more than the poor children.”

It is instructive to study the relative weight, side

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by side with the height. Niceforo used the formula $\frac{\text{Weight}}{\text{Height}}$, adopted by Quetelet, which denotes the number of grammes of weight which correspond to a centimetre of height. Here are the results obtained :—

TABLE XI
COMPARISON OF THE *RELATIVE* WEIGHT OF WELL-TO-DO
CHILDREN AND POOR CHILDREN

Ages.	Boys.		Girls.	
	Well-to-do.	Poor.	Well-to-do.	Poor.
	<i>Grammes.</i>	<i>Grammes.</i>	<i>Grammes.</i>	<i>Grammes.</i>
7 years . . .	19'16	18'96	—	—
8 „ . . .	19'20	18'85	19'51	18'90
9 „ . . .	20'38	19'91	20'23	19'51
10 „ . . .	21'27	20'85	21'23	20'38
11 „ . . .	21'92	21'94	22'40	21'71
12 „ . . .	23'07	23'40	25'03	24'00
13 „ . . .	24'51	23'92	25'79	25'68
14 „ . . .	27'00	25'89	29'53	28'56

“These figures enable us to assert that at all ages of life (with the single exception of boys of twelve years), whether we speak of girls or boys, the relative weight of the subject is greater among children in easy circumstances than among poor children.”

Again, dealing with chest measurement (boys only), one finds that “although the differences between rich and poor subjects are not so marked as in the preceding mensurations (height and weight), however, except for boys of eleven years, the chest

measurement of the well-to-do boys is greater than that of the poor ones."

The investigations relative to the energy and resistance to fatigue have a particular interest.

The force of pressure of the right hand has been registered by Mathieu's dynamometer. The results of this research are tabulated below. "It indicates that the force (dynamometric pressure of the right hand), at all ages of life, of both boys and girls is greater among the children of well-to-do parents than poor ones."

TABLE XII

THE STRENGTH OF WELL-TO-DO CHILDREN AND OF POOR CHILDREN

Ages.	Boys.		Girls.	
	Well-to-do.	Poor.	Well-to-do.	Poor.
	<i>Kilogr.</i>	<i>Kilogr.</i>	<i>Kilogr.</i>	<i>Kilogr.</i>
7 years . .	10·0	8·6	—	—
8 „ . .	11·8	10·8	9·8	9·5
9 „ . .	14·5	12·3	12·0	11·3
10 „ . .	15·7	14·6	14·2	12·2
11 „ . .	16·7	16·6	14·8	13·9
12 „ . .	19·0	18·8	18·2	17·2
13 „ . .	21·5	20·0	20·3	19·7
14 „ . .	24·8	23·3	22·0	21·8

M. Niceforo supplies the following information as to the means adopted for ascertaining the power of resistance to fatigue. "We took haphazard from amongst the group of twelve-year-old boys, ten comfortable and ten poor children. We made each

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one of the selected children grip ten times in succession the dynamometer (an interval of one minute between each act), registering at each pressure the figure indicated by the instrument (power of pressure with right hand). It is obvious that, generally speaking, the fatigue of the subject will increase with each grip of the dynamometer, the force indicated by each effort is nearly always less than that of the preceding one. Thus, the ten grips by each child expressed in graphs, one after the other, assumes the form of a descending curve which may roughly be taken to represent the reduction of strength suffered by each individual under the influence of fatigue.

"After the ten pressures of each of the twenty subjects have been registered, we get a total of 200 grips of the dynamometer, 100 for the poor and 100 for the comfortably-placed children. We have taken the average of the ten first grips of the rich children and the ten first grips of the poor children, and then for the succeeding additional nine grips. In this way twenty averages are obtained, ten for the rich and ten for the poor, which are set out in the following table.

"It will be apparent that the strength of the rich and the strength of the poor children decrease, under the influence of fatigue, in different ways. In the first place, from the first to the 'fifth grip, there is an almost equal diminution of strength in the case of

both; but, commencing from the fifth grip, the strength of the poor decreases more rapidly and in greater volume than that of the rich.

"It is legitimate to conclude that power of resistance to fatigue is greater in the case of comfortably-placed children than in that of poor children. But we ought to point out that the field of investigation in which we have worked is somewhat restricted, and it would be necessary to extend and amplify the examination, making use of different methods, before coming to a definite conclusion on this point."

TABLE XIII

THE RESISTANCE TO FATIGUE AMONG WELL-TO-DO AND POOR CHILDREN

Average of 10 Grips.	Strength of the Subjects.	
	Well-to-do.	Poor.
	<i>Kilogr.</i>	<i>Kilogr.</i>
1st series of 10 grips . . .	19'1	18'8
2nd " " . . .	18'3	18'0
3rd " " . . .	18'2	17'8
4th " " . . .	18'2	16'9
5th " " . . .	14'2	14'0
6th " " . . .	15'0	13'7
7th " " . . .	14'7	13'2
8th " " . . .	13'9	9'8
9th " " . . .	12'3	8'7
10th " " . . .	12'0	7'0

We cannot follow M. Niceforo any further in his researches, but will note one of his last conclusions. After having compared the two social groups, poor

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and comfortable, with each other, he separated the small tradesman class and the small employee class from the "comfortable" so as to form three graduated social classes: (1) "rentiers," liberal professions, big tradespeople, higher employees, (2) small tradesmen and small employees, (3) poor. Now, he testifies "that the study of the tables show, in a manner even more striking than previous investigations, the physical difference which exists between the various social classes. It is seen very clearly that the rich children always have the advantage in every physical characteristic; that the poor children are in the lowest category, and that the sons of small tradesmen and petty employees occupy the middle place. The different degrees of physical development correspond to the different degrees of social position."

This is the truth as disclosed by science, which the social conscience must henceforth accept as a principle of action.

After reading this book, and under the stress of a strong emotion, M. Ferdinand Buisson wrote an article in the *Radical* in which he said:¹ "It is true that it is society which artificially creates a lower class, and maintains it in a state of subjection. It is really to our actual economic organisation, and not to human nature or the fatality of things, that must be imputed this universal and monstrous phenomenon

¹ Issue of October 1, 1905.

that in the same country, under the same laws, there lives side by side a normal humanity, suitably fed, clothed, housed, and cared for, and another which does not attain to the luxury of living a normal life."

We are liable to forget this fundamental and unnatural inequality. But when it is brought home to us in the dry light of purely scientific documents, what then? Delusion is no longer possible. A decision must be made, either to let things remain as they are, or to endeavour to change them.

And M. Buisson did choose. He decided that things must be altered ; he demanded the abolition of the wage system, and its substitution by the system of co-operative labour.

The next day, Jaurès, in an article in *L'Humanité*, entitled "On the Threshold," urged him to be definite and to draw the clear Socialist conclusion from his premises.

CHAPTER III

CAPITALIST PARASITISM AND THE EXPLOITATION OF THE WORKERS

BUT the scandal of the present distribution of wealth is only one of the effects of the social question.

In a world abundantly wealthy, the workers are not only those who possess nothing. The workers are not only those who receive a share of the enormous incomes of modern societies, which is barely sufficient, and often a share that is inadequate for the satisfaction of their vital needs.

The workers are also, and permanently and essentially, the exploited. They labour, they produce, they create the sum of wealth. But they create it for the benefit of others, those who own the means of production—the capitalist class.

The latter concedes to them a portion of it, which assures their existence, and retains the balance, part of which they consume and part of which they invest. The workers produce and the capitalists are enriched. The capitalists die, but their property remains, and multiplies and accumulates. And this capitalism, in

a state of constant growth, and with a perpetual appetite for profit, inflicts, day by day, on fresh branches of industry and on fresh sections of the workers, its exploiting operations.

It was possible once to expatiate on the part played by the captains of industry in the creation of profit. But the joint-stock company, which is the prototype of capitalist enterprise, and which, as we shall see, tends more and more to become the dominant type, has singularly clarified and simplified the position. The employer or, more strictly, the co-employer, is the shareholder; he neither works nor directs, his function is limited to tearing off coupons and cashing his dividend every year or every six months. The person who organises and supervises the work is the manager, who is paid for his work, like other employees, although on a different scale, and according to other conventions. In the joint-stock company two bodies of people are face to face; one, which works without possessing, and the other which possesses without working; the dividends which are periodically and perpetually cashed by the second body are palpably the produce of a perpetual toll levied on the fruits of the industry of the first body—or, in other words, the fruits of its exploitation.

Moreover, in many instances it is a simple matter to exhibit proletarian exploitation in the very act. I give an example taken from an essay by the brothers

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Leon and Maurice Bonneff. It deals with embroideresses engaged in home-work at Paris.

"Fine embroideresses work upon small articles, such as handkerchiefs, serviettes, underclothing. Heavy work embroideresses work on sheets, tablecloths, pillow-cases, etc.

"One embroideress is engaged on open-work; another on the magnificent Richlieu embroidery, with patterns as large as the hand. Another specialises in monograms, working large, interlaced, ornamented letters, with tracings fine as hairs.

"The work commences at 5 a.m. At 9 a.m., when objects are dancing before eyes full of water, weary and burning, an interlude is necessary. Rapidly the embroideress attends to her room—a few strokes of the broom, and a few flecks of the duster—then takes up her needle again. And so until evening, with short interruptions, necessitated by failing sight. Sometimes when there is an urgent order, a trousseau to be delivered, she works at high pressure, and spends the night at her toil. Afterwards, there are days of idleness.

"What is the remuneration for such work? It fluctuates; one piece of work for which a particular workwoman is paid 1 franc 80, only brings 1 franc 50 to another of equal aptitude.

"Those employed on scalloping earn 10 sous per day. After she has paid for her needles and cotton, a good embroideress never exceeds 10 francs a week.

At this occupation, she loses her sight; her spine becomes curved owing to the bent attitude necessitated by her work; we have seen embroideresses deformed and more than half blind.

"In this way, the fortunes of the employers and the large shops are built up. For the art of embroidery is very lucrative to those who do not practice it.

"Here is a monogram to be worked in cloth, three letters, large, thick and elaborately worked. The job will take the embroideress four days to execute, for which she will receive 4 francs 75. The big shop will sell her work for 9 francs clear of all charges.

"Look at this beautiful cloth, marked 70 francs in one of our large linen stores:—

	Francs
The value of the material is	20
The embroideress is paid	15
The general charges amount to about 15 per cent., say	15'25
Total	40'25

"The difference between the cost price and selling price, viz. 29'75 francs, represents the profits of the merchant and the middleman. Use your eyes, embroideresses."¹

At the International Home-work Exhibition at Geneva, I noticed some facts which were not less striking.

Babies' dresses exhibited in the London Section

¹ *L'Humanité*, August 29, 1911.

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cost 2 francs 80 to be made in the workshop, and 90 cent. in the home. The home-worker is therefore paid 1 franc 90 less than the factory worker for similar work. An addition to the profit of more than 200% (1'90 on 90 cent.) is realised.

A jockey's cap, also made in London by a home-worker, represents 15 cent. for the labour expended, and the total cost to the manufacturer is 90 cents. He sells it for 3 francs 10, that is, an addition of 2 francs 20 to his cost price. It would be a generous estimate to put general charges of every kind at 20 cents as far as this article is concerned. On this assumption there remains a profit of 200% on the selling price, and, compared with the 15 cent. paid to the worker, it is 1333%. The same article which usually brings 15 cent. to the workwoman secures a profit of 2 francs to the manufacturer.

In the French Section there was a morning wrap in white zephir, made at Nancy. The handiwork (two hours of labour) was 40 cents, five yards of material 2 francs. The cost price is therefore 2 francs 40, and this article was sold (in 1909) in the big Paris shops for 5 francs 90. Taking all expenses into account, the net profits of the middleman and the big shops cannot be estimated at less than 2 francs 50 on an article which is made for 8 sous.

Again, at Nancy, 35 cent. was paid for making a woman's chemise. By working from seven in

the morning until eleven at night, a workwoman could make four in a day. Including the prime materials, the cost price was 1 franc 18. The article was sold wholesale (in 1909) for 2 francs 40, being an addition of 1'22, or more than 100% to the cost price. For the same article, entirely made by the workwoman, her pay was 35 cent., and the manufacturers' profit was more than 1 franc.

And what shall we say of a child's coat, made at Amiens? For making this the workwoman was paid 75 cent., for she could make one and a half in twelve hours, and it sells in a first-class Paris shop for 19'50 francs. At the most, the materials cost 3 to 4 francs. The maximum cost price was therefore 4'75 francs, and for a selling price of 19'50. Wages of 15 sous for the workwoman, 15 francs of profit for the middlemen and the big shop, or for the shop alone.

If this is not the exploitation of the workers, how must this order of operations be described?

Here are some facts not less significant in quite another sphere, that of agriculture. In France, according to the inquiry of 1892,¹ the general revenue from the soil was divided as follows: ground rent, 2 milliards, 368 millions; profits on undertakings, 800 millions; interest, 400 millions, a total of 3 milliards, 568 millions for the three kinds of returns

¹ *Agricultural Statistics of France*, published by the Minister of Agriculture, 1897, pp. 410 and 441.

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on capital. But the share allocated for "remuneration"—wages, salaries of persons engaged in agriculture (managers of enterprises and wage earners) was 3 milliards, 967 millions. Let us add these two sums together. Of the $7\frac{1}{2}$ milliards thus obtained, the share belonging to capital was 47·3%, and that belonging to labour (including the work of the managers of enterprises) was 52·7%.

Nearly one-half of the produce of labour was appropriated by the non-workers in virtue of the rights of property.

Of the produce of the soil of England, 625 million francs went to the workers, and 850 millions to the landlords.

Do not these facts bring home, with startling force, the exploitation of the proletarians, of those who own nothing but their labour power, by those who possess everything?

The exploitation of the proletarians is everywhere manifest: it is the dominant note of capitalist society. And this exploitation tends to become organised in such a manner as to secure to the possessing class a purely parasitical existence.

That does not necessarily mean that its members live in complete idleness; in biology parasites do not always exist in a condition of inertia. They may be engaged in struggling against each other, to decide which one will appropriate the biggest share of the substance. Of such a nature are the conflicts between

merchants, manufacturers, financiers and landowners. But the spoil is always that wealth, created by the proletarians, over and above the amount conceded to them by the law of wages, the capitalists struggle one against the other to obtain the largest share of it.

The tendency is for the individual capitalists, as fortunes increase, to abandon the contest, and settle down to the peaceful avocation of consuming and accumulating wealth. Their capital "works." They rest. The capital belonging to the shareholders of the *Compagnie de Courrières* "worked" so well during half a century, that when the disaster entombed a thousand miners, it had paid them 1040%.¹

But the exploitation of the proletarians sets the latter against their exploiters. And capitalist parasitism accustoms the proletarians to the idea that the capitalists can be dispensed with.

¹ Cf. our article on "The Scandalous Profits of the *Compagnie de Courrière*," in the *Courrier Européen* of March 16, 1906.

CHAPTER IV

THE CAPITALIST DOMINATION

UNDER the feudal system, wrote Karl Marx, in *Capital*, political power belonged to those who owned the land ; under the capitalist system the function of directing industry belongs to those who possess capital. Accordingly, we find that even in those countries where democratic institutions are most developed, democracy halts on the threshold of capitalist enterprise. And this contrast between political democracy and economic autocracy is a third aspect of the social question.

The slave who worked for a master obeyed the orders of his master ; the serf who performed statute labour for his overlord submitted to the laws of the latter ; the proletarian who creates "surplus value" for the capitalist employer is subjected in the factory to the law of the capitalist employer. The reality of exploitation and of servitude still persists, although their forms have been changed from one system to another.

The law of the factory is laid down and applied by the capitalist overlord. He combines in his person, like the feudal overlord, the three functions

—the legislative, the executive and the judicial. If the workman protests against an order, he is told to "go to the office." His account is made up, and he finds himself in the street, free henceforth—to starve.

Gradually, out of the blind impulse to offer resistance to exploitation and to escape from servitude, is developed first the temporary and ephemeral combination of workers, and then the real union.

Public authority, on its part, steps in to set certain limits to the sweet will of the employer. But capitalist absolutism is barely restrained, and the worker who is a citizen in the democratic State is always a subject in the factory.

It often happens that his subjection follows him outside his work, which is notably the case with the workers employed by large capitalist companies. The method of "hitting below the belt" (*coups sombres*) is practised towards those who exercise their civil and political rights against the desires of the company. Following the strike at Anzin in 1884, twenty-three of the thirty-four lodges which composed the Miners' Trade Union were destroyed by the companies, 144 officials of Trade Union lodges were dismissed.¹

"At Aniche the Company's inspector visited the works, and notified the workmen that they must either abandon the Trade Union or leave the mine."

¹ Clemenceau, "Report on the Anzin Strike," *Parliamentary Documents*, 1885, no. 2695, Official, pp. 1572-3.

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The persecution was of such a nature that when the Parliamentary Commission visited the mining districts of the north, the workmen then engaged in the mine did not dare to give any evidence. At Anzin some miners proceeded to the Town Hall with the object of giving evidence, but at the last moment they were afraid to present themselves.

At Denain, the Commission inspected the mining village, but were implored not to try to gain admittance to the miners' houses, and, in order not to injure the workers, they complied with this request."

Similar deductions were drawn by the Committee on Mines in the Chamber, in 1903, after a fresh strike. "The dismissed miners," declared the Secretary of the Anzin Miners' Trade Union, "were for the most part the active members of the Union, and *included nearly all our officials.*

"We had nearly 9000 members in Anzin. We are somewhat less numerous after the strike; there have been hundreds of dismissals, and this cools one's ardour. Besides, the Companies do all they possibly can to crush the Union. A branch at Vicoigne was to be reorganised, and the members invited me to address a public meeting. The first arrivals were the foremen, sent by the manager's orders to intimidate the workmen and prevent them from taking part in the meeting."¹

¹ *Minutes of the Mines Commission*, 1903, no. 878, p. 20.

A representative from the Pas de Calais Union stated: "At Courrières, Noeux and Bethune, where I have worked for twenty-five years, a child is not taken on unless he proves that he has made his first communion."¹

Another workman confirmed this fact, and gave details.

"The work of hiring is done through the medium of the priests. The workman has only to send his wife to the vicarage, and, on promising that she will go to church, together with husband and children, the hiring contract is speedily concluded. At Courrières, no child is engaged unless he brings a certificate that he has made his first communion."²

At Carmaux, the workmen deposed to the Commission that between the years 1897 and 1899, out of 175 children admitted to the mine, 162 came from the Catholic school, and the Secretary of the Union stated: "In the various communes of the cantons of Carmaux, Valence, Pampelonne, Valderies and Monesties, the agents of the reactionary committee, the priests, sisters and monks, or well-known nationalists, issue tickets which entitle their holder to work in the mine. We assert that the mining companies subsidise the schools of the brothers and sisters. One may go so far as to say that they provide almost entirely for the support of the staff of the

¹ *Loc. cit.*, p. 77.

² *Loc. cit.*, p. 81.

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Catholic schools of Carmaux. In addition, workmen are obliged to send their children to these schools." ¹

This is what becomes of the exercise of rights as man and citizen under the ægis of the great capitalist companies.

Is a more recent example required? In 1910, the French railwaymen struck work. In doing so they exercised a right which is legally recognised. Now, on the morrow of the strike the Companies not only began hitting below the belt—exactly like their brothers of the mining industry—they struck chiefly at, and hardly ever spared, the secretaries of Trade Union branches.

In a manifesto to the country, the National Union of Railwaymen was able to publish these striking figures: "At La Ceinture (120 dismissals), three branches of the National Union were involved in the strike, and the three secretaries were dismissed. In the East (198 dismissals), fourteen branches involved in the strike, ten secretaries were dismissed. In the Centre (126 dismissals), seven branches involved in the strike, six secretaries were dismissed. In the North (923 dismissals), thirty-one branches involved, twenty-six secretaries dismissed. At P.-L.-M. (Paris-Lyon-Marseilles line) (607 dismissals), eighteen branches involved, sixteen secretaries dismissed. In the secondary companies (34 dismissals), two Trade

¹ *Loc. cit.*, pp. 274-5.

Union branches involved in the strike and the two secretaries dismissed.

“We may add that the statistics show that out of 2200 dismissed persons more than 500 occupied a Trade Union post. It is, in fact, the Union which they wish to destroy.” The authors of this document continue: “This information, which was made public from the Tribune of the Chamber by the Minister of Public Works, aroused the unanimous indignation of Parliament, which expressed the feeling of the country by passing a resolution which demanded the reinstatement of the dismissed persons.” But the Companies are not prepared to give way, and their attitude remains stubborn and defiant.

Now, we want to know whether the Companies may put themselves in opposition to the general will of the country with impunity, and if the financial influences which they represent may, contrary to right and justice, form a kind of State within the State.¹

Well, we must admit that the Companies were able to put themselves in opposition to the general will of the country. The financial interests which they represent were able, contrary to all conception of justice and right, in opposition to the unanimous opinion of Parliament, to refuse to reinstate their dismissed servants—servants among whom were 1060 with five to twenty years of service to their credit,

¹ *Tribune de la voie ferrée*, March 28, 1911.

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150 with twenty to thirty years of service, fifteen with thirty to forty-one years of service.

Reinstatement only took place more than four years afterwards, during the war, when the railway companies lacked staff, when the enemy occupied a portion of the country, when the nation was solid against the invader, and when, in addition, the companies were no longer masters of their system. But in 1910 and 1911 their will rode triumphantly over the wishes of the nation.

In 1911, the railway companies endeavoured to prove, in the same way, that the Republic was powerless to protect the railway workers against them.¹ For this reason the workers not only declare that they aim to become free from capitalist exploitation, but also that they seek to emancipate themselves from the capitalist yoke.

¹ *République Française*, March 6, 1884.

CHAPTER V

UNEMPLOYMENT

EVEN if they were able to resign themselves to the scantiness of their resources in a society overflowing with wealth ; even if they were prepared to consent to their systematic exploitation by the owners of land and capital ; even if they accepted the servitude imposed on them by the capitalist system, it is impossible for the workers to be reconciled to the latest effect of this system, which is unemployment.

Most workers are liable to be idle at some time or another, but at certain periods the prolonged unemployment of considerable sections of the working class is a calamity. To be deprived of work is to be deprived of the means of gaining bread.

Ancient society guaranteed the life of the slave. Feudal society guaranteed the life of the serf. Capitalist society does not guarantee the life of the worker.

At certain periods, an abyss, the abyss of unemployment, the abyss of total lack of work, opens suddenly before his feet. A terrible predicament,

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which the fortunate ones of this world prefer to ignore.

George Renard has sketched a singularly touching picture of this state in all its simple truth. "Consider a moment," he says, "the position of the man whose only property and resource is his strength, his intelligence and his good-will, who has inherited from his parents nothing but poverty and the necessity of earning a living by the sweat of his brow. Around him he sees everything owned, occupied and monopolised by others, the land, the mines, the factories, business premises and dwelling-houses; he must pay to eat and drink, to sleep, to be clothed and warmed, and that money which is demanded for everything he can only procure by hiring out his bodily and mental energy. Consequently he applies to one of the fortunate ones, who by right of birth possesses the property from which he is excluded, and he says to him, 'I beg you to grant me permission to work for you. You will pay me for my trouble, and in my turn I shall be able to pay all that is required of me for each of my needs.'

"Generally the person thus addressed, be he landlord, manufacturer or merchant, cannot do without the labour of others to give value to his possessions, or to ensure the success of the business he conducts, and he offers a wage in return for the work to be done for his benefit.

"But when, for one cause or another, he replies to

the workman : ' I have no work to offer you. Pass on, friend. Look elsewhere.' When the unfortunate man, in quest of lucrative employment, receives the same depressing answer at all places where he calls ; when he is thus compelled to remain idle, without having money or the prospects of obtaining it honestly, what do you expect to become of him ? Is it not as if he were told, ' There is no place for you on the farm, in the factory or in the shop. No place for you at the banquet of life. You are superfluous on the earth, or at least in your country. Either die, or move on, where you can, if the railway companies will transport you for nothing, and if other countries are willing to receive you with empty pockets' ?

" Really, ladies and gentlemen, there is a terrible contradiction in the wretched condition of this man who cannot live without working, and who is denied access to the instruments of labour. His lot is a harsh and iniquitous one. The warm-hearted English thinker, Carlyle, said that nothing was more odious or revolting to the human conscience than such a denial of justice as this. And, for my own part, I say that if only one man, willing and able to work, is condemned to death or to exile, or, putting things at their best, to beg or to steal, because of the absence of work, while he is surrounded by so many needs to be satisfied and so many means for producing wealth, this constitutes in itself a sufficient

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indictment of contemporary civilisation. But when the victims of compulsory unemployment throughout the world are numbered every year by millions, it is not only a social cancer and a bleeding wound, but a crime on the part of our social organisation.”¹

Such is the verdict forced upon every upright conscience, and upon every man who elects to see and describe things as they are. To be silent and inactive in face of this crime is to share the guilt of it.

In France alone the number of unemployed fluctuates between 300,000 and 440,000, which means that between 300,000 and 440,000 days are lost for every working day of the year.²

The mind is staggered by such figures, and such waste of resources. Yet these details, which refer to normal and average times, are left in the shade by the volume of unemployment which accompanies every economic crisis. When the crisis is protracted, the disorder assumes the proportions of a disaster.

These economic crises are periodically repeated, at ever closer intervals, every six, eight or ten years. They appear to be an organic necessity of capitalist society.

In former times an economic crisis was caused by dearth, or under-production. The crises of the capitalist epoch have quite another character ; they are crises of over-production.

¹ *Revue Bleue* du Decembre, 1912.

² F. Forguot, *Unemployment*, pp. 19-21.

Let us be quite clear about the meaning of this word. Over-production does not consist in production which is in excess of the real needs of the whole of society. Innumerable needs remain unsatisfied during periods of over-production. Over-production consists in production which is in excess of the possibilities of sale, or, in other words, production in excess of the needs of the market, needs which are represented by a corresponding purchasing power, that is, of demand.

Properly speaking, capitalist society does not recognise needs as such; it only recognises the market, or the demand. So far as it is concerned, over-production exists when production has outrun the demands of the market.

On the other hand, the capitalist system has the necessary effect of restricting in an artificial manner the demand of large masses of people. Its tendency is to compress the wages of labour within the smallest limits possible, so as to increase the share of capital. The tendency to keep at the lowest level the purchasing-power of large sections of the people, when only its extension would provide for the complete absorption of a production which constantly grows, springs from one of those contradictions which are inherent in the system, and which are so many seeds of its dissolution.

Thus, from time to time, there is congestion, or over-production. There is congestion and "over-

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production," because capitalist society is incapable of raising the consuming power of the masses, and incapable also of mastering and restraining its productive powers. This is the crisis which was wonderfully described by Frederic Engels in his *Anti-Duhring*, which appeared in 1878 :—

"Business comes to a standstill ; the markets are congested ; the products are there, so abundant that they cannot be sold ; credit disappears ; factories cease working ; the labouring masses lack the means of subsistence for having produced too much ; failures follow failures ; forced sales succeed forced sales. The stagnation lasts for years ; both productive forces and products are wasted and destroyed in large quantities until production and exchange gradually get going once more. Gradually the pace is accelerated and is transformed into a trot ; the industrial trot becomes a gallop ; the latter is precipitated into a headlong rush, and a veritable industrial, commercial and financial 'steepchase,' to end up, once more, after the more dangerous leaps, in the ditch. And thus ever anew."

Yes, it always repeats itself, and in the same way. In 1908, after the first manifestations of that great economic crisis, which, breaking out in America, quickly spread to this side of the Atlantic, M. Jacques Siegfried wrote in the *Temps* : "When business is good, it is human nature to stimulate it to the point of exaggeration ; and, when an element of speculation

is added, the moment arrives when it is necessary to cry halt in the headlong career. This halt is always effected suddenly, like that of an automobile, which, after starting at a reasonable pace, becomes intoxicated by its own speed, does 120 miles an hour, and comes a cropper on meeting the slightest obstacle. It is then usual and convenient to put the blame on the stone which lay on the road, the man who has been run over, the dog which barked, nay, even on the signpost by the roadside, which warned motorists that the turning was dangerous; this is exactly what has happened to President Roosevelt, on whom the reckless drivers endeavour to fasten the responsibility for their own mistakes.”¹

Of course, it is not the responsible authors of the crisis, viz., the captains of industry, who suffer the most damage. For those in high positions, the most powerful and therefore the most responsible among them, the crisis is no misfortune at all. On the contrary, it relieves them of less tenacious competitors and enables them to consolidate their position, for the future, on the ruins of the others. The crisis eliminates the weak, and strengthens the strong. It is a powerful influence towards industrial, commercial, and financial concentration.

Those who are always affected and hit the hardest are the workers. For them it means reduction of wages, short time, unemployment, and hunger.

¹ *Le Temps*, November 19, 1908.

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Hunger, because other people have not known how to regulate production. Hunger, because the markets are gorged with commodities. Hunger, because they have worked too hard, and produced too much. There is hunger in the midst of plenty, and because of plenty ; just as in former crises of dearth there was hunger because of scarcity.

Hunger is as atrocious to-day as it was formerly, and revolting, in addition. The hunger of to-day is absurd and due to an aberration of the social system.

This hunger is of a kind, too, which undermines health and strength, and is usually accompanied by physical exhaustion and sometimes moral exhaustion. It is the hunger which kills the old people and the children, and is ever the evil genius.

The facts are decisive and overwhelming. They are known everywhere. But there is a pretence to ignore them, which relieves one of the necessity of acting. In 1848, before the House of Lords Committee on Unemployment, the Sheriff for the County of Lanark, one Allison, gave this evidence: "When the Bank of England raised its rate of discount—and this is known to be a sure indication of the coming crisis—I wrote to the local authorities, giving them instructions on these lines: 'Gentlemen, the Bank of England having raised its rate of discount, you must immediately take steps to make room in the prisons and hospitals for new arrivals.'"¹

¹ Tugan-Baranowski, *Geschichte der Handelskreise in England*, pp. 272, 273.

I quote a further fact from the same source, *The History of Commercial Crises in England*, by Tugan Baranowski. In 1849 a very serious cholera epidemic raged in that country. Now the death rate for that year, in the industrial counties, was much lower than for 1847, the year of the economic crisis.

Lescure mentions a number of similar facts in his book on *General and Periodical Crises on Over-production*. In France, for example, "crime increased in 1847—the year of the economic crisis in France, as well as in England—as compared with 1846; especially the crimes against property. The number of persons charged with theft in public streets increased by 52 per cent.; the number of thefts other than public or domestic increased by 31 per cent. In 1847, sentence was passed on 530 persons charged with pillaging flour and rice, whereas the annual number of such charges was not more than 20 between 1841 and 1846."¹

The facts quoted above are certainly ancient history. Here are some of recent date. The crisis of 1907–8 is still remembered by every one.

I am indebted to the *Temps* of October 3, 1908, for the following information, which refers to Belgium: "The effects of the industrial crisis are felt a little everywhere, but it is at Antwerp that they are most apparent. The number of unemployed is consider-

¹ According to the General Report on the Administration or Criminal Justice in France, 1848, p. 125; 1849, p. 155; 1850, pp. 112, 113.

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able in this town, and on Tuesday the unemployed organised a demonstration in the streets; 5,600 women and children accompanied the workmen, estimated to be 10,000 strong. There were banners in the procession bearing such inscriptions as these: 'Our husbands are willing to work, but cannot do so; our children ask for bread.' A deputation was received by the Burgomaster of Antwerp, M. Hertogs, to whom the position was explained, that in all the trades of the port nearly 70 per cent. of the workers were unemployed, and that those remaining in employment were working much shorter time. The Burgomaster of Antwerp informed the deputation that he would ask for an immediate credit of 200,000 frs. to be added to the budget of the town, which would be devoted to the relief of the unemployed."

At the same moment in England there were mass meetings of poverty-stricken workers in several of the large centres, notably in Glasgow, Manchester and London, which developed into riots.

Some of the newspapers and certain politicians stated that the workers have exaggerated the extent and gravity of the evil.¹

But in 1909 the Board of Trade published neither assertions nor denials, but the facts.

"The reports of the Inspectors of Prisons," stated its memorandum, "point to unemployment as the chief cause of the increase in the number of inmates

¹ See *Le Temps*, October 28, 1908.

of the county prisons. According to the inspectors, there is a class in our midst whose conditions are a scandal and menace to the community."

At length, in 1910, the government published its report upon the criminal statistics of 1908, which proved (1) that the number of persons condemned for misdemeanours and crimes had considerably increased in 1908, being 68,116, as compared with 61,381, in 1907, (2) that this increase coincided with an increase of unemployment which rose from 3·7 per cent. in 1907 to 7·8 per cent. in 1908, (3) that the districts which had furnished the largest contingent to the army of criminals were precisely those mining and manufacturing centres which had suffered the most from unemployment, and (4) that the connection which existed between the increase of crime and the economic crisis was apparent.

Such is unemployment, a crime on the part of our social organisation, and the fruitful source of crimes.

CHAPTER VI

FROM THE SMALL- TO THE LARGE-SCALE INDUSTRY

THE economic development, which raises with ever-increasing urgency the social question, at the same time gradually brings into existence the means for its solution.

It is unnecessary to emphasise certain features of this development. The gradual transition, as regards the majority of industries, from manual to machine production, from small-scale to large-scale undertakings, from big businesses to mammoth concerns, is a well-known fact, which is now generally accepted. The technical superiority of a large-scale industry, in the immense majority of cases, has been proved by many inquiries, conducted with a scientific exactitude which is beyond question. The most important of these inquiries was the one undertaken in the years 1894-1898 by the Labour Department of Washington, under the supervision of Carol Wright. His task was to ascertain, as regards 672 kinds of products, belonging to agriculture as well as industry, the numbers of workmen, of different operations performed, of hours of work, of dollars paid for labour, necessary for the

manufacture of an equal quantity by hand, and by machine. Here are a few examples, taken at random, of what he found :—

(1) Manufacture of 10 carts. By hand: 2 workmen, performing 11 distinct operations, and working in all 1180 hours, paid 54 dollars 46. By machine: 52 workmen, performing 97 operations, working in all 37 hours 28 minutes, paid 7 dollars 90.

(2) Manufacture of 500 lbs. butter. By hand: 3 workmen, 7 operations, 125 hours, 10 dollars 6. By machine: 7 workmen, 8 operations, 12 hours 30 minutes (instead of 125 hours: just ten times less), 1 dollar 78.

(3) Manufacture of 100 pairs of cheap boots. By hand: 2 workmen, 83 operations, 1438 hours, 408 dollars 50. By machine: 113 workmen, 122 operations, 154 hours, 35 dollars 40.

(4) Manufacture of a gross of men's jackets. By hand: one worker, 4 operations, 840 hours, 50 dollars 40. By machine: 11 workers, 8 operations, 97 hours, 15 minutes, 12 dollars 80.

Other examples from the same inquiry will be found in Vandervelde's book on *Collectivism and Industrial Evolution*.

Such figures as these require no comment. "They trace in strokes of fire the inevitable destiny of master tailors, bootmakers, weavers, bakers, clockmakers and other artisans, who do not produce specialities or fancy articles." (Vandervelde, *Collectivism*, etc.)

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At this stage it might not be without interest to note the progress towards industrial concentration disclosed by the results of the last French census, that of 1906, as compared with the results of the census of 1896: "The number of establishments employing more than 500 workers," it is stated in the report of M. Lucien March, the Chief of the French Statistical Department, "has increased in the ten years, 1896-1906, from 456 to 627, or nearly 40 per cent., while the increase is only 20 per cent. for the class of establishments employing between 50 and 500 workers, 3 per cent. for the class employing from 6 to 50 workers, and there is a proportionate decline in the number of establishments employing from one to five persons." On the other hand, "Little more than 40 per cent. of the total personnel engaged in the industry works in establishments which employ more than 100 workers, and this proportion has constantly increased since 1896 (from being 36 per cent. it has become 41 per cent.). Contrariwise, during the period 1896-1906 there has been a relative decrease in the number of persons working in those establishments which employ from one to ten and from 11 to 100 employees."

In 1896, the total number of persons engaged in establishments which employed more than 10 workers was 2,130,000, and this number increased to 2,640,000 in 1906, which represented an increment of nearly 25 per cent., whereas the personnel of the establish-

ments with less than 10 workers exhibited an increase of only 5 per cent.

Between the years 1896 and 1906 the average number of workers per establishment increased as follows: mines, from 857 to 984; tin-plate works, from 698 to 903; arsenals, from 655 to 863; blast furnaces and steel works, from 508 to 711; wool-combing sheds, from 366 to 694; glass works, from 423 to 551; felt making, from 209 to 461; railway workshops, from 285 to 401; silk weaving, from 235 to 363; copper rolling, from 225 to 381; iron works, from 225 to 330; cartridge factories, from 129 to 274; flax spinning, from 120 to 258; cotton spinning, from 140 to 234.

"But," as M. Lucien March points out, "side by side with the concentration of personnel in the large establishments there goes on also, with an intensity incomparably more rapid, a concentration of driving-power in the large establishments. In 1899 establishments driven by 200 horse-power engines accounted for one half of the total driving-power used; in 1906 they absorbed two-thirds of the whole. Establishments driven by hydraulic power, equivalent to more than 200 horse-power engines, represented in 1906 a fraction of the total hydraulic power nearly twice the proportion for 1899."¹

Sugar refining is a striking example of concen-

¹ *Statistique générale de la France. Statistique des forces motrices en 1906*, p. 3.

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tration, mechanical development and increase of productivity.

These refineries are subordinated to a special control, and all particulars relating to them are embodied in annual reports which give special information as to the quantity produced, thus enabling most interesting comparisons to be drawn.

In 1881-1882 there were 486 refineries. This number gradually decreased to 220 for 1912-1913, the last year for which details are available. The personnel stood at 65,293 workers ; it fell to 34,314, a decrease of 30,979. The total production was 337 millions of kilogrammes : it grew to 878 millions, a difference of 541 millions of kilogrammes. In short, the number of refineries declined by 55 per cent., the personnel decreased by 47 per cent., and during the same period the output increased by 160 per cent.¹

In the United States, during the years 1901 to 1905, while the number of establishments only increased by 4·2 per cent., while in half of the branches of industry the number of establishments either remained stationary or decreased, while 300 sugar refineries disappeared, nearly as many tanneries, 200 woollen factories, nearly 300 boot factories, etc., the output increased by 30 per cent., or by one-third in five years.²

¹ *Annuaire statistique de la France*, vol. 34, p. 51.

² Special Report of the Census Office, Manufactures, Part I, 1905.

CHAPTER VII

FROM INDIVIDUAL ENTERPRISE TO THE JOINT-STOCK COMPANY

THE transition of the small business to the large, and from the large business to the giant enterprise, is not possible without the accumulation of large capital sums.

Technical concentration advances side by side with financial concentration, which it calls into being. "Much money is needed for the establishment charges of the centralised factory; the purchase of the land on which the buildings are to be erected, the construction of these buildings, the adaptation of the means of transport which will bring the raw materials, and carry away the products.

"Thus, the Creusot Company owns 300 kilometres of railway line, with 1500 wagons, and, in addition, pays 30 millions annually to the P.-L.-M. (Paris-Lyon-Marseilles) Company for transport facilities. The proprietors of oil wells have had to dig trenches to convey their oil from the wells to the refinery. Bass, the king of English brewers, owned 25 kilometres of railway, 60,000 drays, and paid 4½ millions annually for transport charges, together with

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7,150,000 francs for duties. Mention might be made of a certain mine, where, without counting the cost of the concession, 25 millions had been expended in surveys and preliminary works before the exploitation of the property could be commenced ; often the sinking of a single shaft costs between two and three millions.

"Then machines are assistants which come to be very expensive. A single exhaust pump at the Creusot Works cost 2 millions. An up-to-date blast furnace, producing 160 to 170 tons of cast iron each day, cost 2 millions. A travelling crane, capable of carrying 600 tons, cost over a million. And yet the machinery acquired at such prices has a short life-time. It is necessary to keep abreast of the latest improvements in order to ward off the effects of disastrous competition. In the United States an almost constant renewal is the rule. The life of a locomotive there is ten or fifteen years less than in Europe. Every engine showing signs of wear is put on the scrap-heap. Dealers in new looms go so far as to acquire the second-hand ones, which they destroy, in order to compel manufacturers to draw their supplies from them.

"When the factory is equipped, the plant must be set in motion. To the initial outlay must now be added the overhead charges, which are continuous. It is necessary to purchase fuel, driving-power, and raw material ; to light, heat and maintain the build-

ings; to advance the wages of workmen and employees; to pay back the capital which has been borrowed wholly or in part. Then there are the costs of selling (advertising, commercial travellers, etc.).”¹

To meet expenses of this order, enormous sums are necessary. In most cases a single individual is not in a position to advance the money. He must seek a sleeping partner, or several sleeping partners! This is quite a usual proceeding, but the pooling of the capitals of a small number of people does not always suffice for such requirements. In this way we move, step by step, towards the large association of capitalists—the joint-stock company.

Sometimes the stage of the joint-stock company is reached as a result of successive transformations, after passing through the stages of a process of organic growth. M. Charles Benoist, in his book on the *Organisation of Work*, quoted a classic example of this kind. A gentleman named M—— founded in 1800, in a French town, the business of a locksmith. The business thrived, and from 1833 onwards was managed by two of his sons. In 1840 they took a partner. In 1856 the business was transformed into a partnership firm with a capital of 3 millions, the name being M—— et Cie. Finally, in 1863, it became a limited liability company.

¹ Georges Renard, *L'Evolution industrielle depuis cent cinquante ans*, pp. 197–8.

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Important concerns are more and more assuming this latter form. It offers obvious advantages to the capitalists ; it allows them strictly to limit their risks, inasmuch as it is laid down in Article 33 of the French Commercial Code : " The partners are only liable to the extent of their interest in the company ; " it allows them to entrust the business to a manager chosen solely by reason of his ability, and consequently specially qualified to secure the largest return for their capital ; lastly, it allows them to be completely independent of the worries attaching to the management of a business, to escape from the exactions of a restrictive activity, and to ask of life the full measure of the enjoyments which their wealth enables them to secure.

Thus we see that the joint-stock company occupies a position of increasing importance in the economic life of our time. Owing to an incredible and inexcusable negligence on the part of our administration, we do not possess the figures of French joint-stock companies, but we are kept informed of the progress and the actual position of such companies in several foreign countries.

In Holland there were 284 companies, with a total capital of 319 millions of francs in 1862, which increased to 7660 companies, with a capital of 3 milliards, 781 millions, in 1912.

In Germany the number was 2143 in 1887, and 5487 in 1913, and the total capital increased from

6 milliards, 95 millions to 21 milliards, 921 millions.

These figures only refer to the share capital, and not the debenture capital. The latter, which would be so interesting to know, is not included in the statistics of any country.

In Switzerland the number of companies increased from 2056 in 1910 to 5850 in 1917, and their capital from 1 milliard, 881 millions to 3 milliards, 884 millions.

These figures only relate to Swiss companies ; the number of foreign companies operating in Switzerland increased from 91 in 1901 to 139 in 1917, and their capital from 1 milliard, 93 millions to 1 milliard, 642 millions. But we are only told the portion of the capital allocated to activities in Switzerland, and not the amount of capital which represents all the shares of these companies.

A report as to the debenture capital of companies was made in Switzerland in 1892, as an exceptional case. This report is not complete. Nevertheless, the sum declared amounted to 860 millions, or 61% of the share capital.

This is a very big proportion, and, if estimated on the present share capital of 3 milliards, 884 millions, would give a total debenture-capital of 1 milliard, 581 millions, and consequently a total capital of joint-stock companies of 5 milliards, 465 millions, or 5½ milliards in round figures.

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This would be equal to approximately one-third of the total wealth of Switzerland.

It should also be pointed out that the proportion would be much more substantial if Switzerland had not, between 1902 and 1909, nationalised its railways, which represented a total share and debenture capital of 1 milliard, 200 millions of francs.

In England the number of companies increased from 8692 in 1884 to 29,730 in 1900, and to 66,094 in 1916. Their capital increased from 11 milliards, 900 millions in 1884 to 40 milliards, 600 millions in 1900, and to 68 milliards in 1916.¹

Of course, these figures only refer to share capital, and do not include the railway companies. If we add the railway companies, whose capital is 34 milliards, we arrive at a total of 102 milliards, which includes the debenture capital of the railways only, but which nevertheless is certainly equal to much more than one-half of the industrial and commercial capital of the United Kingdom.

We add a last figure. Between 1907 and 1912 the total number of shares issued by companies in the principal countries amounted to 63 milliards.¹

We see now that, by a movement of far-reaching extent, the joint-stock company becomes more and more the normal type of capitalist enterprise. The

¹ Alfred Neymarck, *La statistique internationale des valeurs mobilières*.

whole capitalist development of our time tends irresistibly in this direction.

The same process which develops small businesses into large ones, transforms them from the individual property of a private employer into the collective property of a group of capitalists.

One system of property is replaced by another system. Individual capitalist property is replaced by collective capitalist property.

From being an individual employer, the capitalist becomes a collective employer. The new associated employers do not share to any extent in the management of the undertaking. They are represented by a board of directors, who place a manager at the head of the business. They are no more than capitalists who possess shares, and detach coupons—shareholders.

They only give one order, through the medium of the board of directors, to the manager—to increase the dividend as much as possible.

Increase the dividend, as the dividend of this and of all the companies to which they belong constitutes their income, and gives them the right to claim a share of the wealth that is annually produced.

Increase the dividend, as the amount of the dividend determines the price of the shares in the stock markets, which is nothing else than the dividend capitalised.

Increase the dividend, as a high dividend means an

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increased value of the share, and adds to their proportion of the total capital of their country, and of the total capital of the world.

Increase the dividend; this is indeed the only instruction given by the shareholders to the board of directors, by the board of directors to the manager, and by the manager to his subordinates; the instruction which regulates the management in every department—purchase, sale, organisation of labour, wages, etc.

Somewhere in his *Memoirs* Rockefeller quotes a sentence from the director of a petroleum company which admirably describes the system.

This director was called John Archbold, and "always added to his signature the words '20 francs a barrel,' because this was one of his articles of faith."

One day, when he was giving evidence in court, the counsel for the other side put this question to him :—

"Mr. Archbold, you are the director of this company, are you not?"

"Quite so."

"And what work do you do for this company?"

"I can still hear," says Rockefeller, "Mr. Archbold's reply."

"My work? I always take my dividends."

CHAPTER VIII

FROM FREE COMPETITION TO MONOPOLY

THE joint-stock company is a point of arrival. It is also a point of departure.

It is the starting-point of the process which leads from free competition to monopoly. This process is regulated by two important factors, which are connected with the existence and the functioning of joint-stock companies.

The first factor is the interpenetration of businesses in the same branch of industry which is fostered by joint-stock companies.

Rival businesses were formerly hermetically sealed one from the other. They were engaged by competition in a merciless struggle with each other. The business which could produce at the lowest cost and sell its goods at the cheapest price would attract the customers of its rivals, and ruin its rivals. To-day the same shareholders may have an interest in the competing businesses, and, instead of engaging in disastrous competition, it is to their interest to arrive at an understanding, in order to obtain the best results and divide amongst themselves the profits of the industry.

The common shareholders of competing under-

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takings form an element of "fraternisation." And it is not only the troops who fraternise. The general staffs do so as well. The same men mutually arrange for seats on the boards of competing companies, and carry through agreements. Through them the general headquarters enter into communication, and negotiate peace. The reader may judge from the following facts how far this interpenetration or "personal union" of businesses has proceeded. According to the German *Directory of Directors*, in 1907 there were 67 persons in that country who sat on ten or more boards of directors. But we quote the figures themselves, compiled from this Directory by the *Frankfurt Gazette* (*Frankfurter Zeitung*).

TABLE XIV
PLURALITY OF DIRECTORATES OF GERMAN JOINT-STOCK
COMPANIES

Number of Directors.	Number of Boards on which they sit.	Number of Directors.	Number of Boards on which they sit.
29	10		
26	11	4	22
21	12	3	23
25	13	4	24
20	14	3	26
10	15	1	27
13	16	1	28
8	17	2	29
2	18	3	30
2	19	1	36
4	20	1	37
2	21	1	41
		186	449

Thus, there are some directors who sit on as many as 30, 36, 37 and 41 boards ; there are 186 who are members of more than 10, and it can easily be conceived that there is a considerable number of directors who sit on several boards, although not so many as 10.

In addition to this, certain directors are chairmen of quite a list of boards of directors, as will be seen from the following table, compiled from the same Directory.

TABLE XV
PLURALITY OF CHAIRMANSIPS OF BOARDS OF DIRECTORS
OF GERMAN JOINT-STOCK COMPANIES

Number of Chairmen.	Number of Boards over which they preside.	Number of Chairmen.	Number of Boards over which they preside.
18	4	2	10
15	5	3	11
8	6	2	12
10	7	1	13
6	8	1	14
3	9	1	18
		70	117

For the United States the results are similar, and even more striking. The *New Yorker Handels-Zeitung* quotes, by the side of more modest pluralities, the case of two persons each of whom exercised the functions of a director of 70 different companies, and the case of one person who acted simultaneously as director of 100 companies.

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In treating of the coming together of competing undertakings promoted in this way by the interpenetration of joint-stock companies, we must make special reference to the case of financial houses. Owing to a strongly marked concentration, the banks of a country are not numerous, and tend to form a "bloc." They are either unified in a single group, or amalgamated in a small number of groups. The entire machinery of credit of the nation is therefore controlled by a few people, who are enabled to dominate industry, commerce, and the whole economic life. The resources of which they dispose enable the competing undertakings of the most various branches of industry to become established, to develop, and to escape from ruin. Quite naturally their influence is exerted to mediate between rival firms, and bring them into agreement.

We therefore find that the financial syndicates—and this is the second factor to which we would draw attention—encourage and promote industrial syndicates. By the simultaneous and pre-arranged influence which they exert on rival undertakings, this tendency is fostered. They control the one as they control the other, because they are in all of them. These directors whom we observe one after the other figuring in such a large number of companies are most often the representatives of the financial companies. Read these few lines which I quote from one of the financial columns of the *Journal des Débats* :—

"The annual German *Directory of Directors* has just been published. Mr. Carl Furstenberg sits on 44 boards. Mr. Hagen (Cologne) sits on 42. Mr. Eugene Gutman sits on 35 ; 137 persons sit on 298 boards. It is the great financial houses which are represented by their directors in the joint-stock companies."

The great German banks value their immovable property, after deducting mortgages, at the following figures :—

Deutsche Bank	.	.	28,579,000 M.	1/5th reserves.
Dresdner Bank	.	.	20,544,000 M.	2/5th "
Diskogesellschaft	.	.	18,444,000 M.	1/5th "
Darmstaedter Bank.	.	.	11,476,000 M.	1/3rd "
Schauffhausen	.	.	8,170,080 M.	1/3rd "

A portion of this property comprises the premises of the banks themselves, but they are leased to tenants, very often the companies with which the banks are closely associated.

We are informed officially that the same thing applies to the United States. In 1913, the Pujo Committee, appointed to inquire into the Trusts, made the discovery that the Directors of three New York banks and the Directors of the Trust Companies which they controlled, occupied alone 341 seats on Boards of Management in 112 different corporations, representing a capital of 100 milliards of francs.

We quoted, a short time ago, the description by Mr. Charles Benoist of the typical case of a private business developing, by a series of organic changes,

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into the form of the joint-stock company. We give here a similar instance, which allows us to follow this process to the next stage, that of an understanding reached by rival firms under the pressure of converging financial influences. From the *Neue Zürcher Zeitung* I take the following report, which appeared with the title: "Kartels in the Transport Industry."

"The firm of carriers known as Schenker & Co. of Vienna has been transformed, with the assistance of the Oesterreichische Kreditanstalt and of the Wiener Bankverein, into a limited company with a capital of six millions of crowns."

With reference to this event, the *Neue Freie Presse* wrote: "As a result of this transformation, one of the oldest, most important, and best known of the carrying firms of Vienna ceases to exist as a private business. The firm has existed for more than forty years. Its founder, Gottfried Schenker, a native of Switzerland, was one of the ablest of the business men who were attracted to Austria during the period of great commercial prosperity. He established in Vienna that branch of the international carrying trade which serves as a connecting link between the business world and the great transport industries; he built up an organisation which extended to most of the countries of Europe. The organisation survived its creator; of his successors, some have disappeared through death or retirement, and those who remain and run the business and possess the greater part of

the shares, desire to stabilise the undertaking by enlisting the support of important financial houses. Since the establishment of the International Transport Company severe competition has prevailed in the carrying trade and sensibly diminished its profits. Now there are two joint-stock companies working side by side, two companies over which the great banks exercise a predominating influence. These establishments are linked together by a series of financial relationships, which will facilitate a common understanding. It is therefore anticipated in interested circles, that the conversion of the business of Schenker into a joint-stock company will lead to the conclusion of peace between the two big carrying firms."

Here is the genesis of the industrial understanding clearly revealed. Such is the almost natural course of development from the joint-stock company into the Kartel or Trust.

Between the former and the latter there are other links in addition. Most often the Kartel takes the form of a limited company, for example, a company whose business it is to sell the products of the affiliated undertakings. And as regards the Trust, this is nothing more than the fusion, the federation, or the combination of various companies.

The primitive form of the Trust, from which it derived its name, was as follows:—

The promoters—the men who determined to put an

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end to competition in an industry—formed a syndicate which invited the shareholders (or at least, that portion of them which held a majority of the shares of each business in the industry) to deposit their shares with it, in exchange for nominative certificates, negotiable as such. These certificates entitle their holder, in the same way as shares, to a part of the dividend and to a portion of the assets in the event of liquidation, but they do not confer the right to vote at general meetings. This right is attached only to the shares, and is transferred with them to the syndicate, which at the close of the transaction is furnished with the means of making its desires prevail in all the businesses. The promoters are the mandatories, or the trustees of the shareholders—whence comes the name of Trust given to the new organisation.

M. Charles Brouilhet has very happily described the character and scope of this ingenious combination. "Each share," he writes, "represents two privileges—the financial privilege, which confers a right to a portion of the profits of the Company, and a privilege, which I would call political, which gives the right to manage the Company by means of the vote at general meetings. As the share is surrendered to the trustee the latter becomes possessed of two rights, but he hands over a certificate, which confers on its owner the financial right only. By this exchange the shareholder has lost his political right, and retained his right to share in the profits; the trustee has acquired

all powers necessary for the conduct of the business without having made any pecuniary sacrifices. In fact, the shareholders choose the members of a small group, who will henceforth have the indisputable direction of business matters. It is, therefore, sufficient that the same group, the same Board of Trustees, exercise these functions for a certain number of similar companies, for whose benefit the Trust exists, and whose former independence has disappeared."

Such was the first form of the Trust. But in view of certain legal objections that were raised, it was necessary to depart from this form.

A second pattern was then adopted, viz. the fusion, pure and simple, of the individual companies into a single larger company. But this procedure, in its turn, was beset with difficulties, particularly those of a fiscal nature. The giant companies operating in several States in the Union were liable to much greater taxation than the separate companies established in these States.

It was therefore necessary to discover another method, and the plan of the "holding trust" was adopted. This system is now in common use. The "holding trust" is a limited company, formed for the purpose of acquiring the majority, at least, of the shares in each of the undertakings which are covered by the arrangement. As a matter of fact, the issue

¹ Ch. Brouilhet, *Les Ententes Industrielles et Commerciales*, pp. 60-61.

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of shares by the new company, to enable it to acquire the certificates of the old company, is not essentially different in practice from the old method. And the result is always to concentrate in the hands of a single group, all the powers of conducting a branch of industry.

The Kartel, which is the method of industrial arrangement most generally practised in Europe, does not realise this total unification of management, but it creates, nevertheless, powerful connecting links between the federated businesses.

Whilst leaving to its affiliated enterprises their legal and economic autonomy, the Kartel enables them to act as one force in the market by the adoption of the following methods: the fixing of uniform prices, governed by the production of each factory; the establishment of central selling agencies, interposed between producers and consumers; the supervision of production and the inspection of books, including the imposition of severe penalties for every infringement of the regulations. Sometimes the customers are divided into districts which are reserved to each of the participating businesses.

Thus, for a quarter of a century, a revolution has been going on in the world equal in importance to the rise of large-scale production. Free competition gives place to monopoly.

CHAPTER IX

THE RAISING OF PRICES BY THE TRUSTS

THE first result of the coalition of capitalist undertakings is an increase in prices.

The American economist, Jenks, who has devoted his life to the study of Trusts¹ was able to deduce the following law from the enormous mass of facts which he examined: "That prices rise in proportion to the monopoly power exerted at each moment of its economic existence by an industrial understanding."

Here is an example taken from the Sugar Trust. The profits of sugar refining are derived from the difference between the market price of raw sugar and that of refined sugar.

During the first period, from 1880 to 1887, competition operated freely, and the difference diminished as a result of technical progress, from 1·037 cent. to 0·766 cent.

Between 1887 and 1890, following on the establishment of the Trust, the difference increased to the figure of 1·175 cent.

Between 1890 and 1892 the Trust struggled with a competitor, and the difference sank to 0·504 cent.

¹ See his book, *The Trust Problem*, New York, 1900.

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But in 1892 it bought out the rival undertaking, and the difference increased to 1·130 cent., sinking again to 0·800 in 1898. At that period a new competitor entered the field, and the difference decreased to 0·545. "In short, when the Trust is dominant, the cost of refining is more than double the amount when the supremacy of the Trust is disputed."¹

A striking confirmation of "Jenks' Law" may be found in France, in the case of superphosphates.

In 1901 the superphosphate 13-15 was worth 5 francs per 100 kilos. An arrangement was made by the producing firms and the price went up to 6·40, an increase of 1 franc 40.

In 1904 the arrangement was set aside, and the price decreased to 5 francs, and even to 4·35.

In 1905 the Trust was reconstructed, and there was a fresh rise in price. The superphosphate 14-16, which was bought for 5·10 per 100 kilos by the Union of Agricultural Associations of Mayenne in the spring of 1905, was sold to the same purchasers for 7·45 in the spring of 1907.

These cases of alternation between the regime of free competition and that of monopoly, are particularly notable. But the raising of prices by combinations is not less obvious when it comes to stay.

In Russia, "the period subsequent to 1905 witnessed the birth of such great syndicates in the metallurgical industry as the roofing syndicate (Crowlia), the

¹ Ch. Brouilhet.

carriage building (Prodwagon), the metal syndicate (Prodomet), etc. Similar syndicates were also rapidly formed in other branches of industry, such as the sugar, salt, matches, glass, rubber, cement, copper, sewing cotton, flour, soap, and wool syndicates."¹

The following figures disclose the power exercised by these groups: "The copper syndicate comprised 90% of the national production; the ore syndicate 80%; the metal syndicate 75%; the coal syndicate 70%; the roofing syndicate 66%, not to mention the sugar syndicate, which extended over the whole industry."²

We now come to the ascertained results. According to M. Bolchanow, the best authority on municipal administration in Russia, since the formation of the metallurgical syndicate (Crowlia), prices in the Urals have increased as follows:—

In 1906, the price of iron was about 2 roubles (5·33 francs) the poud (16·38 kilos); in 1907 and 1908 the average increase of price was 38·5 copeks (100 copeks to the rouble) per poud. According to the evidence of the masters themselves, the price of iron girders appreciably rose as from the month of September 1902, owing to the industry passing under the control of the metal syndicate. In this case, the

¹ "Industrial Syndicates in Russia, and direct Administration," by V. Tevzaia, of the University of Geneva, in the *Annals of Direct Administration*, t. III, p. 366).

² *Obschestvennoe dvizhenie*, IV, pp. 130-131, quoted by Tetvaia *loc. cit.*

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increase of price was quite intelligible, as the trade in girders was practically a monopoly of the syndicate.

In the month of December 1902, we note that in South Russia, at Kharkhoff, the price increased from 1 rouble, 40 copeks the poud, to 1 rouble, 70 copeks, and for a year and a half the price remained at the level of 1 rouble 65, that is, 20% above the old price.

According to Ciperowitch, the "Gwosd" syndicate caused the price of nails to rise from 1 rouble 55 to 2 roubles 61, that is to say, by nearly 100%. Coal has become 30% dearer during the last twelve years. The same author states that although the cotton industry already yielded a profit of 20% the Cotton Syndicate further increased the price by 30%. The manufacturers of the Moscow district at their conference in 1908 decided to adhere to the increased prices, although the price of flax had sensibly decreased in consequence of the abundant harvest.

The Matches Syndicate raised prices by 50%. A similar increase in price caused by the Salt Syndicate brought about the dearness of salted fish, to the great detriment of home and foreign consumers.¹

We quote a characteristic incident with regard to Austria. In 1907 the State, in order to benefit consumers, granted an important reduction in the duty on sugar. But the Sugar Kartel succeeded, by increasing the price, in diverting to its coffers the whole advantage of the concession.

¹ *Tevezia, loc. cit.*, p. 370.

A singular proceeding, but one which it may not be without interest to compare with what happened in France, as related by M. Edouard Herriot in an article: "In 1902, Parliament, by adopting the Brussels Convention, abolished the sugar bounties and reduced the customs duties from 64 francs to 27 francs per 1000 kilos. Good tidings for small households and relief to modest budgets. Vain hopes! The speculators are on the watch, ready to ruin others and to ruin themselves. Number 3 white sugar was quoted on the Paris market at 27·37 francs the 100 kilos on June 24, 1904: in January 1905, the price rose to 46·50 francs. The speculators were punished by some financial mishaps, easy to foresee. But, in 1909, the feeling excited by these accidents having died down, a fresh manipulation raised the price of sugar from 31·87 (September 1909) to 46·85 (end of August 1910)." A market manipulation, of course, but singularly favoured by the existence and by the action of the syndicate of refiners of which we shall have occasion to speak.

In Germany, the industries dependent on the metallurgical industry protested against the prices imposed on them by the Steel Syndicate. The same lamentations in Russia were heard, when the Congress of Manufacturers of Agricultural Implements passed, in 1911, the following resolution:—

"The Congress considers it necessary to call the attention of the Government and of the Legislative

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Chambers to the concentration of the whole of the iron and steel industry in the hands of the Metallurgical Syndicate (Prodometa). This monopoly, in the last three years, has led to an increase in the price of raw materials equivalent to nearly one-half of the existing customs duties. This state of things has reacted harmfully upon the manufacture of agricultural implements in so far as it promotes importation of these articles from foreign countries. Suffering at the same time from the constant increase in the price of raw materials, from the impossibility of choosing the qualities of the material required, and from complete dependence upon the Metallurgical Syndicate, the Russian national industry is attacked in its vital parts. In view of these circumstances, the Congress declares the reduction of the price of raw material or the prohibition of the importation of steel and iron to be an urgent necessity.”¹

In the same way, the engine-makers and founders of Austria complained of the extortions practised on them by the Metallurgical Syndicate, and their French colleagues addressed a similar remonstrance to the Longwy Selling Agency.

In July 1919, M. C. Dufour, president of the General Association of French Foundries, informed the Parliamentary Commission, charged to examine the metallurgical question, “that the combination of cast-iron producers, which has given the sales monopoly to

¹ *Le Journal*, August 20, 1912.

the Longwy Agency, by suppressing free competition in business, has injured the development of the French iron foundries and their numerous subsidiary trades. Hence the desire of the founders to acquire one of the groups of blast furnaces, sequestered in Lorraine, which would provide them with the means of production necessary to keep them supplied with the cast iron which is the indispensable raw material for their industry.”¹

We give, in addition, the explanatory details which he furnished to the Commission of Inquiry, according to the official minutes :

“ It was proposed to form a kind of co-operative association, whose object would be to secure to its members supplies of raw materials obtained from the mining metallurgical establishments of which they would become joint proprietors.

“ The principle of consumers’ associations, formed in order to obtain directly the raw material which they consumed, has always been approved by public authorities. We ask for a similar sanction in the present case, with all the more reason that this is the only means of developing the foundries and the numerous trades which depend on them, the interests of these industries being entirely bound up with the public welfare.

“ The foundries, on the one hand, and on the other mechanical and electric construction and the manu-

¹ Letter to *L'Humanité*, August 6, 1919.

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facture of all kinds of machines which consume cast iron, depend for their supplies of raw material upon the Longwy Selling Agency, a selling organisation which has been granted the monopoly of the sale of cast iron by the producers.

" This suppression of free competition in the trade has led to the following results in France :—

"(1) Abnormal increase in the selling price to the French consumers, making it impossible for them to hold their own in export trade against foreign competitors, who usually buy French cast iron cheaper than Frenchmen do.

"(2) Restriction of sales to the home market.

"(3) Facilities for foreign competition to gain a footing in the French market, to the detriment of French industries, whose establishments are numbered by thousands and employ a very large number of workers.

" For these reasons we ask to be set free from the tribute which we pay to the ring of producers, which everywhere paralyses our activities."¹

Such is the tendency everywhere disclosed ; such is the universal raising of prices by Kartels and Trusts.

And when, under the pressure of the branches of production which supply them with raw material, the subsidiary industries feel their position to be jeopardised and their future and very existence menaced, they may perchance begin to look for safety in some

¹ Document published by *L'Humanité*, August 6, 1919.

new combination, such as the co-operative solution proposed by the French founders, but most often they are caught up in the same movement, and, in their turn, they also form Kartels and raise their prices, and when their customers protest reply to them, "Form syndicates and raise prices."

From one industry to another, from one trade to another, from every seller to every buyer, there is an impulse to raise prices. And the last buyer of all, he who is called the consumer, discovers the dearness of living—and is astonished.

CHAPTER X

THE RESTRICTION OF CONSUMPTION BY THE TRUSTS

THE raising of prices of commodities is followed by the restriction of consumption.

It is a well-known fact that a fall in prices increases demand, and a rise in prices diminishes it.

To what extent? This depends on the nature of the commodities concerned, on the importance of the needs which they satisfy, on the possibility of finding substitutes for them, on the affluence of the consumers, etc. In the same place and at the same time there is a special formula of variation in the demand for each commodity in relation to price changes.

If we follow the upward movement of prices, the point is at last reached where demand falls to zero ; this is the maximum limit of prices. If, on the other hand, we make this a starting-point, and follow the downward movement of prices, we observe an increase in demand, which attains its maximum when prices fall to zero. The correspondence which exists at every stage between these two factors, price and

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demand, constitutes the "law of demand for the commodity."

The law of demand may be illustrated by two series of figures.

Price.	Demand.
Francs.	Units.
100	0
50	10
20	50
5	1,000
3	2,500
2·25	4,500
2	5,000
1	12,000
0·50	20,000
0	50,000

The demand for the commodity in this instance would therefore be nil when the price is 100 francs the unit, and would be equal to 50,000 units when the price sank to zero, that is to say, in the event of gratis supplies. Ten units would be sold when the price was 50 francs, 50 units when the price was 20 francs, and so on; 20,000 units when the price is 50 francs.

In the case of gratuitous distribution, the number of units disposed of would be 50,000.¹

How is price fixed when free competition prevails among producers? At a level which corresponds with the cost of production, plus the average normal

¹ Leon Walras, *Elements of Pure Political Economy*, pp. 436 and following.

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profit: 10% for example. How is it fixed in monopoly conditions, whether the monopoly be that of a single supplier, or of a group of combined suppliers? At the level which will assure the maximum profit.

Let us take the figures which have just been quoted, and suppose, for the sake of simplicity, that the expenses of production are exactly proportional to the quantities produced, say 2 francs the unit. We should arrive at the following results for the different prices:—

TABLE XVI
FIXATION OF PRICES UNDER MONOPOLY CONDITIONS

Price	Demand	Gross Returns.	Expenses	Net Return.
Francs.	Unit.	Francs.	Francs.	Francs.
100	0	0	0	0
50	10	500	20	480
20	50	1,000	100	900
5	1,000	5,000	2,000	3,000
3	2,500	7,500	5,000	2,500
2'25	4,500	10,125	9,000	1,125
2	5,000	10,000	10,000	0
1	12,000	12,000	24,000	— 12,000
0'50	20,000	10,000	40,000	— 30,000
0	50,000	0	100,000	— 100,000

Free competition in the market would have fixed a price of about 2 francs 25, as this price would assure a profit of 1125 francs, which is almost equal to the average rate of normal profit. But the monopolist or group of monopolists necessarily fixes the price

which would assure them the maximum profit—which, in the case we have taken, is 3000 francs—and this price would be 5 francs.

The substitution of free competition by monopoly leads to an increase in the price from 2.25 to 5 francs. But this is only one aspect of the question: the other refers to demand, in other words, the number of units that are sold and of needs that are satisfied. Now this number was 4500 when the price was 2.25, but when the price is 5 francs—the figure which assures the maximum profit and which is necessarily fixed by the monopolist—the number of units is only 1000.¹

Capitalist monopoly is therefore essentially a system of artificial restriction of consumption. Its iron law consists in forcing up prices to the point where they assure the maximum of profit. This fact is so obvious that even economists who profess in some degree the religion of the capitalist system are obliged to recognise it. Mr. Colson,² in describing

¹ See Leon Walras, *Elements of Pure Political Economy*, pp. 436 and following.

² C. Colson, *Course of Political Economy*, vol. i, p. 220. Here is some information relating to the same subject which appeared in the *New York Outlook*, January 7, 1905. Last week, after the publication of the Government report showing that the present cotton crop was of exceptional abundance, certain Southern planters recommended the burning of a million bales, in order to keep up prices, and, according to popular rumour a certain number of bales have in fact been burnt. This year's crop is greater by about a million bales than the best crop on record. A Southern newspaper wrote in reference to this subject that it "was a more regrettable recurrence for the

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the rise of monopoly prices to the point where the maximum profit is obtained, writes as follows: "As long as this maximum is not attained, the interest of the seller is opposed to that of the public, since the dearer he sells, the more he gains." And he adds: "A striking example of the application of this theory may be found in the well-known history of the Dutch East India Company, when it possessed the monopoly of spices. It was because experience had taught the Company that its profits diminished if it lowered the price to the point necessary for disposing the whole of its crop, that it destroyed part of it. This practice has been called 'Dardanism,' which means a voluntary destruction of useful objects, or a restriction of their production, on the part of a monopolist, in order to gain some advantage."

This practice could not be more accurately described. Mr. Colson goes on to make a slightly technical remark, but one which has a strong interest for our subject. "Of course," he adds, "the monopolist only reaches with tentative steps the price which affords him the maximum receipts. He loses equally when he fixes the price too high and when he fixes the price too low; it is to be preferred that he errs by default rather than by excess, since in

South than the defeat of the Democratic Party," and that "it would represent for this section of the country a loss of 20,000,000 dollars," and at least the dissipation of all the hopes which the opening season aroused.

the former case an advantage accrues to the public, which suffers in the second case." And in a note he says: "It is to be observed that, provided the monopolist keeps within the limits of the price which affords the maximum receipts, the loss which he suffers in fixing the price a little lower is much less than the benefit to the public which follows from this act. In fact, the receipts of the monopolist and the rent of purchasers¹ are two functions of price, one of which at this moment passes through its maximum, and the other does not.

"When a slight diminution causes the value of the variable to descend below the figure which corresponds with the maximum, the diminution of the first function will be of the second degree (that is, extremely small in comparison with the decrease in price) while the increase will be of the first degree (that is, of the same magnitude as the price); the loss of the monopolist will, therefore, be extremely small as compared with the gain to the public, so long as there is only a slight deviation from the price which represents the maximum profit."

Thus, an extremely small sacrifice on the part of the monopolist would assure a considerable gain to the public, which would be all the greater if

¹ One understands by this, the difference between the price which the purchasers actually pay and that which they would be prepared to pay, if necessary. If a consumer can obtain an article for 3 francs for which he is prepared to pay 5 rather than go without it, the purchaser's rent is 2 francs.

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the sacrifice was substantial. But the capitalist monopolist will make neither the one nor the other, for he will tell you he is not a philanthropist but a business man, and as a member of a board of directors or as a manager, will add that he has received no instructions from the public, but, on the contrary, a very precise mandate from the meeting of shareholders, viz., to obtain the maximum dividend.

And he will fix the price at the level of the maximum profit—unless, in his anxiety to make the business yield its fullest capacity, he commits the error of fixing the price too high, which is certainly more often the case than is imagined.

Maximum profit, and, except for mistakes and accidents, a price which will yield the maximum profit, added to the bringing into existence of the conditions under which this price can be fixed, viz., a corresponding restriction of production; such is the inevitable policy of capitalist monopolies, and the law of their operation.

We were, therefore, in no way surprised when the well-known economist, Professor Adolph Wagner, of the University of Berlin, made the following statement before the Committee of the Reichstag which inquired into the operations of Kartels, and before the representatives of the Kartels themselves :—

“In my opinion, we have a kind of ideal Kartel before our eyes in the white sheet-iron Kartel. This

industry is only carried on by a small number of firms—exactly five—and they are all members of the Kartel ; consequently, there are no outsiders. As regards Germany you have only to arrange things amongst yourselves, so to speak. You trade in an article the production of which offers few difficulties—I assert this in spite of the objections that have been raised—you are protected by import duties against foreign competition. Thus, your position as producers is next door to monopoly ; everything points in this direction, and nothing can be explained except on this assumption. Well, it has always been said that on the day when the Kartel dominates the whole of production it will be able to bring about this desirable condition—to provide adequately and at reasonable prices for the satisfaction of all needs. But what do we see? Needs have never been properly satisfied. You have certainly increased production, which was absolutely essential, but you have not enlarged it to the extent necessary for the satisfaction of all needs, and yet, for this purpose, you have at your disposal an organisation which is almost a monopoly, and are protected by high import duties. As a result of to-day's discussion we have to ask ourselves this question: Do the Kartels adequately meet the needs which their supporters allege, in order to prove their general economic utility? You have not established equilibrium between supply and demand. You

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have not supplied your products except at very high prices—50% above those in England; and even at these prices you have not produced sufficient to meet the needs of the market.”

This is only one particular instance among many others.

In 1908, in a study of the economic position in Germany, the *Messenger de Paris* wrote as follows: “The German Iron and Steel Industry, after a period of prosperity dating from 1903, is suffering from a crisis which started in the middle of 1907. The consumers, machine manufacturers and others, complain of the slender difference between the prices of raw materials and those of the finished product. They demand, with all their power, a reduction in the price of raw materials, which is opposed by the great Steel Syndicates in Germany and in the U.S.A. The Steel Corporation has closed down blast-furnaces, and reduced production in order to keep up prices.”¹

Finally, in 1910, in an article on “German Kartels in 1909,” Mr. Arthur Raffalovich stated: “One of the most serious objections that can be levelled against the Kartels is that they prevent full and complete economic use being made of the productive forces. From 1906 to 1908, the Rhenish Westphalian Coal Syndicate produced 67, 63, and 55% only of the agreed participation; the Cement Syndicate, in 1908, 33%; the Potash Syndicate utilised 30% of the

¹ *Messenger de Paris*, September 10, 1908.

capacity of the different establishments, and if this capacity had been fully exploited, the selling price would have been reduced by 45%. The restriction of production seems to have become a permanent institution, and no longer an expedient. It represents, to some extent, a dissipation of national resources."

Such are the new economic methods of the great capitalist undertakings which have reached the monopoly stage. In the interest of their profits, they practise a systematic and voluntary limitation of production, a real economic malthusianism.

They condemn the factories to lie idle, and the workers to unemployment. They cheat society of the wealth it would naturally produce, and prevent a rise in the standard of consumption, by means of the law of the maximum profit.

We have seen already that the principle of Capitalism tends to restrict the consumption of the mass of the workers, by constantly depressing the wages of labour. But when the stage of monopoly has been reached, when Capitalism has passed from free competition to monopoly, it exercises a further restrictive influence on the workers' powers of consumption, by adding the systematic inflation of prices to the systematic lowering of wages.

Monopolist Capitalism effects a twofold exploitation of the working class; its exploitation as producer and its exploitation as consumer.

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Monopolist Capitalism combines the exploitation of the great body of consumers with its exploitation of the workers.

Monopolist Capitalism sets itself in opposition, in the name of profit, to the free development of the productive forces of society, and to the proper satisfaction of social needs.

CHAPTER XI

THE TRUSTS *VERSUS* THEIR SUPPLIERS

AS sellers of products, and at the same time buyers of raw material, the capitalist monopolies, as often as they can, and as often as they do not collide with other monopolies as powerful as themselves, practise towards their suppliers the same methods of dictation and extortion as they use towards their customers.

In 1905, in the United States, the Petroleum Trust, which had not lowered by a cent the price of its product, decided to pay only 3.50 for each barrel of raw petroleum instead of 6 francs. Excessive profits in buying were added to excessive profits in selling. The Trust took both with open hands. But, on this occasion, it went decidedly too far. In the State of Kansas, under the pressure of the producers of raw petroleum, the public authorities resolved to establish a refinery which would pay the producers reasonable prices, and soon afterwards the owners of the wells of Texas, Arkansas, Missouri and Iowa, requested their governments to follow the example of Kansas.¹

¹ *Journal des Debats*, March 8, 1905.

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In France, the Syndicate of Sugar Refiners exploit the producers of raw sugar, and, through them, the beet-root cultivators. Of course, this supplements the exploitation of the consumers.

In order to free both from the burden of this tribute, Jaures introduced in the Chamber, in 1895, a bill to nationalise this industry, which was rejected. But on this occasion, M. Celestin Jonnart, a moderate republican, wrote as follows, in the *Paysan Français* : "The Government ought to make the refineries understand quite clearly that they must not interpret the rejection of the Jaures bill as a resolution of confidence. The Syndicate of Refiners has been far too long a syndicate of strangulation, and if we have rejected, on the grounds of impracticability, the establishment of a State monopoly, proposed by the Leader of the Socialist Party, we, who represent the agricultural industry, are at one with him in demanding that the Government should break the monopoly which the associated refiners have formed for their benefit, and which enables them to impose upon the manufacture of sugar and upon our countryside, an intolerable yoke which is positively hateful.

"We agree with the Minister of Trade that the future lies with groups or associations of individuals, and not with the confiscation by the State of personal energies and initiative. But pending the time when the syndicates will give the results which we expect

of them, it is the duty of the Government to prevent the recurrence of oppressive coalitions, which have long been the subject of complaint in the Chamber, and which do pretty much as they like with the law.

“Freedom of trade, yes, but not freedom of brigandage.

“The cultivators do not ask the State to do their business; they are not afraid of work or of competition, but when they are being robbed, it is only natural for them to call for the police.

“When the Minister of Trade knows them better, he will have an excellent opportunity to preach to them the advantages of association; but first of all, he must send the policeman to their assistance.”

CHAPTER XII

THE SUPER-TRUSTS

THE process of monopolisation advances step by step with the evolution of Capitalism.

In the first place, neighbouring monopolies come into contact in the national market, and form themselves into vaster agglomerations.

New relations of collaboration tend more and more to come into existence throughout the successive stages of production, from the industry which supplies the raw material to the industry which turns out the finished product. Rival businesses have been brought together by means of the method of the joint-stock company, which is now drawing together the branches of an industry engaged in the different stages of the same productive process. Finance, the common dispenser of capital, has put an end to the strife between competing undertakings, and grouped them into large pacific alliances. Its present task is to create the alliance of alliances, the fusion of fusions, the super-trust.

This new stage in capitalist concentration has been admirably described by Jaures. It was in 1912, and

the following most interesting information had been written upon the Silver Trust: "The committee of inquiry of the Chamber of Deputies into the concentration of financial and commercial interests, has already arrived at the conclusion that the two groups of Messrs. Pierpont Morgan and Rockefeller control 36% of the existing wealth of the United States.

"The report demonstrates that these two trust magnates, aided by a general staff of 320 millionaires, sitting on various boards of directors, control a total capital of 24,686,328,675 dollars, that is to say, 123,431,643,375 francs, distributed as follows: public services and industrial enterprises, 15,636,853,815 dollars; railways, 1725 millions of dollars; financial establishments, 4,500,911,930 dollars; mining and petroleum properties, 1,500,949,930 dollars; various, 1,322,615,000 dollars."

"It is therefore ascertained," writes Jaures, "that the two groups of Pierpont Morgan and Rockefeller control 36% of the actual wealth of the United States; that is, they command one-third of the productive capital of the great American nation. These two men, these two emperors and generalissimos of Yankee capital have under their direction a general staff of 320 millionaires, who are scattered amongst the directorates of a large number of services, industrial enterprises and financial establishments, and who control a little over 123 milliards of francs.

"This is the third stage of capitalist concentration.

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In the first stage, we have the big establishment, the large company which by its technical superiority has assimilated or subordinated the small or medium sized businesses. In the second stage the Trust appears to group the large businesses of the same industry, in order to put down competition between them, and to dominate the market by wielding a supreme power in settling prices. And now we see the great manipulators of finance, putting their hands on an enormous collection of industries, each of which is already trustified, in order to complete this formidable centralisation, and crown this Cæsarism of Capital.

“ This final stage could be foreseen. First, each of the big capitalist enterprises develops the habit of putting its reserve funds into other undertakings. In that way its influence grows, and profitable combinations are rendered possible. In any case, it assures itself against the depressions which may threaten a particular industry, by the extra profits which are derived from another industry. Thus, rival businesses come into contact, and if the capitalists who have put their hands on the multiple springs of this mechanism reach an understanding, if even the biggest of them lay their heads together, we come to this: that 300 men manipulate at their pleasure a capital of 130 milliards. This enormous mass of wealth is at their command. And it rests with them to crush all competition in the germ, to impose their

will upon any industry existing or in process of formation, by bringing these colossal forces to bear upon this point or that, as they may determine.

"In an absolute political democracy, they, by reason of the inherent power of capital, achieve supremacy and unity, and become the absolute masters of the social system.

"Capitalist feudalism is no longer to be spoken of in this connection, as feudalism implies dispersion. The simile is obsolete, as events move faster than our formulas. It is the empire of Capital which is in preparation, and which begins to assert itself in the sovereignty of the two great capitalist monarchs, grouping under their direction the great feudal lords.

"Will there be a supreme Cæsar one day? At the moment, it is a Cæsarism with two heads, like the Russian eagle. But the two beaks of the eagle, with one concerted movement, peck at the entrails of the American people to extract from them all their wealth. What formidable harbingers of the social revolution!"¹

¹ *Humanité*, October 24, 1912.

CHAPTER XIII

FROM THE NATIONAL TRUST TO THE INTERNATIONAL TRUST

WHILE capitalist concentration in the national market leads to the super-trust, it leads on the other hand to international trusts. This, too, is a necessary development.

First of all, the national trusts strive with each other to capture their own markets, and the world market. The struggle is carried on by means of dumping, or selling at a loss in order to snatch away customers from each other; until, at last, the point is reached when they decide to abandon this ruinous strife and to share the world market.

M. Meline, in his *Back to the Land*, called attention in 1904 to the first attempt of this kind which had just been made.

"Not satisfied with disarming in the home market," he wrote, "German industry dreams now of disarming in the foreign market, and quite recently proposed to her more formidable competitors in the iron industry an arrangement and an alliance.

"We are not inventing: to-day every one knows

that the German Steel Kartel (Stahl-werksverband) invited the English, French and Belgian manufacturers of rails and girders to enter into an agreement, the terms of which were that the share of each contracting nation in the export market for rails and girders would be limited to an amount which could not be exceeded, the workshops of each country retaining, of course, their individuality and independence.

"The agreement is now definite, and, we are assured, will soon include the United States themselves.

"This new kind of association is, surely by reason of its principles, one of the most important economic events of recent years."¹

Soon, endeavours of this sort were made more frequently, and in 1908, M. Jules Huret, in his book, *From Hamburg to the Marches of Poland*, reports the following conversation which he had with a German business man :—

"Do you believe in the extension of the international Kartels?"

"Yes," Mr. W—— answered. "I believe in their economic necessity itself. After having realised the folly of ruining themselves by competing against each other, German manufacturers will ask themselves if there is any use in neighbours ruining each other. And, without going so far as a close amalgamation of the manufacturers of all countries, I strongly

¹ Meline, *Back to the Land*.

approve of international Kartels, with strictly defined regulations, which would serve to lessen the difficulties of crises, and also to maintain reasonable selling prices.

“But what am I talking about! They exist already! There is one for the railways of Europe, and even of America; another for incandescent lamps between Germany and Austria; there is another in course of formation between these two countries for carbon paper. I know of a Franco-German agreement with reference to silk, which takes special account of the conditions of the selling price and of credit, and the object of which is to resist the cutting of prices. Other international Kartels are in operation for bicycle tyres, gas mantles, pier glasses, aluminium. The Standard Oil Company (Rockefeller), the Rothschild Syndicate, and the Galicia Syndicate have surely formed a Kartel. An agreement was recently arrived at between Germany and France for the purchase of goat skins; certain firms organise a corner from time to time, and raise prices; a year ago (in February or March 1906), German and French merchants came together to organise the buying of skins, and it is probable that a selling Kartel will be the result. French and German importers of stained woods have also united on the initiative of the French. Other Franco-German unions are wrapt in mystery. But you must be careful in your country, and if you don't wish to

harm your countrymen, do not give too much information about the international Kartels with which French industries are mixed up.”¹

In 1905, the *Journal de Genève* announced the establishment of an international Trust for watch-glasses, and added: “The factories which compose it, and which control the whole of production, in a very short time effected increases of 20, 30, and 75%. For certain special qualities, the old rates were advanced by as much as 300%.”

In June 1914 the *Reforme Economique* published this information: “A meeting of the representatives of the chief diamond producers has been convened for June 15, for the purpose of reaching an agreement with reference to production, and the fixing of prices; it is thought that decisions will be taken to regulate production.”²

In 1913, M. Margaine, an engineer, whose great ability is universally recognised, showed the French chamber how the market was actually constituted for every metal, and more generally for every kind of ore which possesses some value.

“At the present time,” he said, “all markets tend towards the same goal. They have not all reached the same point in the road they are taking, but the direction is the same for them all. It consists in

¹ Jules Huret, *From Hamburg to the Marches of Poland*, pp. 376-7.

² *Journal de Genève*, vol. XX, p. 105.

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the world market for each metal coming into the same hands, so that this market is usually concentrated in a single international syndicate. Some of the markets have already reached this final goal, and others are only just approaching it. Others, again, are encountering certain obstacles on the road. Some of the belated ones are only entering on the first stage."

The result of this tendency is "that every cause of falling prices having disappeared, prices rise, and easily reach exorbitant figures."

The sale of iodine, which is exploited commercially only in Chili, and of which the production is concentrated into a small number of hands, is monopolised by a London firm: "At the present time, iodine is sold for 20 francs the kilo, which is more than eleven times the price paid by the manufacturers."

The same thing holds good for certain minerals, such as bromide and bismuth. The bismuth market is controlled by Germany. European sales are entrusted to a single firm, which has made an agreement with a firm in the United States, for the delimitation of their respective spheres of influence. The price has gradually increased until it has reached the rate of 20 francs the kilo.

Platinum is a metal which has reached the top of the scale and fixed itself there. Platinum is found only in the Urals; just a few years ago its pro-

duction was distributed amongst a fairly considerable number of people. There were the firms of Chouvaloff and Demidoff, the German Platina Company, a French company, and a certain number of secondary houses.

Concentration was gradually effected.

Quite recently a single syndicate has succeeded in capturing the whole of the market, by means of an agreement with Demidoff's heirs, which was commented on in the newspapers. The market is completely internationalised.

The consequence is that the price of platinum which, in 1901, stood at 3200 francs against a net cost of 2500 francs, is now 7500 francs. Certain rare metals, extracted from ore, which is found in all the deposits, have been concentrated more easily, and the rise has been higher. For example, iridium, which was worth 4500 francs in 1909, is to-day worth 10,500 francs. Palladium and rhodium, which were worth 4500 in 1910, are worth 8500 to-day.

A little lower in the scale we find nickel. It is an open secret that nickel is entirely in the hands of the firm of Roths, so far as the European market is concerned. Hitherto this firm has suffered from the competition of America, which defended itself at home by import duties, and carried on a struggle in the rest of the world. An agreement has been arrived at: the two rivals arranged to divide the world market into two spheres, each being master

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in one of them. If prices did not go up at once, it was because nickel in its various methods of utilisation is liable to a competition of ordinary metals. But an endeavour is being made to extend its market to two channels of usage which every one knows: the minting of money and the manufacture of war material, especially shells. Whenever we hear matters of this kind being discussed we should remember that the nickel market is a close international monopoly, which benefits only a few people.

Descending the scale again, we come to iron. The German iron market has been concentrated since 1910. It was at this period that the German producers took the lead in promoting an agreement amongst the producers of the world, and succeeded in dividing the entire world market into a certain number of districts, in which each group of producers had absolute freedom. The result is what might have been expected. Since 1910, the price of iron has increased from 325 to 475 francs per ton.

Such is the movement which gradually affects all metals, and which appears in turn amongst the most various branches of industry.

The movement is part of the nature of things, and follows the logic of capitalist evolution. Listen to Mr. John Rockefeller, an unquestionable authority on the subject: "There is one thing," he declares, "which ought to be said, and it is that amalga-

tions of capital are bound to become permanent and to extend. The period of individual competition for the big businesses of the world has gone for ever. This is especially true for America, which has a Federal Government, that is, a Government composed of an aggregation of States, in which each corporation is necessarily distinct from the corporation of the neighbouring States. It is not, therefore, possible for an American corporation to have simply an Agency in the neighbouring State, and for matters of business it is obliged to associate and ally itself with a similiar corporation. If it is a question of going further afield and carrying on business abroad—for to-day, Americans are no longer contented with the home market—it is at once apparent that other outside associations must be formed. And soon all these different corporations, interlinked and associated one with another, tend to become branches of one industry, or a Trust.

“Once more, it is too late to discuss the drawbacks or the advantages of Trusts. They are a necessity.”

In this manner is born and grows the Capitalist International, of which world finance is the soul, and which has been so aptly named the “gilded International.”

CHAPTER XIV

FROM PRIVATE MONOPOLY TO PUBLIC MONOPOLY

CAPITALIST monopoly is the culminating point of capitalist development. But, at the same time, it constitutes the starting-point of a new movement which leads modern economy, by the same organic necessity, to Socialism.

The first phase of this development consists in the transformation of private monopoly to public monopoly.

This transformation is rendered necessary by the opposition which exists between the interests of the owners of a capitalist monopoly and the general interests of society.

When a capitalist enterprise operates under the law of free competition, it is liable to conflict with the interests of the whole of the wage workers which it employs. This antagonism is at the basis of the capitalist system, of which it is an essential part. Everywhere it ranges the workers who are conscious of their interests against the capitalist system, whatever forms it may assume. But under the regime of free competition, the capitalist enterprise is only

in conflict with its employees. The interests of consumers, and generally speaking of all other sections, except the employees aforesaid, are safeguarded by competition. On the other hand, whenever a branch of production has reached the monopoly stage, the business or group of businesses which maintains the monopoly, comes into conflict, as regards permanent and essential interests, not only with its employees, but with society as a whole.

By means of its policy of systematically raising prices, the strangulation of its suppliers and the artificial restriction of production and consumption, the Trust pits itself against the whole of society. It often arrays itself against society, also, by the quality of the products which it sells.

No one has forgotten the scandal of the famous Chicago Meat Trust, which developed the use of damaged meat into a fine art.

In his speech before the Chamber, in 1913, M. Margaine gave some interesting details of cases of systematic and dangerous dishonesty practised by the Steel Trust.

“From the standpoint of safety—and it is this which leads me to dwell for a moment on the international rail union—the question is not one of indifference. Railway engineers are alive to the effects which these alliances have had upon the manufacture of an article which is so intimately bound up with public safety. A report from an American engineer,

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Mr. Puppe, presented to the Leeds Conference in 1912, concluded as follows: 'But breakages of rails are frequent in the United States. Their number is out of all proportion to those observed to occur in Europe. True, the conditions are different. But, after making full allowance for extenuating circumstances, it is none the less a demonstrable fact that American engineers are dissatisfied with the quality of the rails offered them by their country.' One of the most prominent of these engineers has not hesitated to assign as the chief cause of the depreciation in quality, the syndicate formed by the Steel Trust, where certain conditions essential to good quality are sacrificed to the requirements of an accelerated and enormous production.

"In Europe itself, an essay published in Belgium by a fairly well-known railway engineer contains a sufficiently characteristic passage, which I ask your permission to read: 'The users of rails rely on the most varied sources for their supplies, from the resigned victim of a powerful Trust which makes him pay a high price for the most mediocre steel to the companies which manufacture rails themselves. It is to be feared that this expensive system will one day be the sole refuge of rail users. The growing power of syndicates and trusts and their world-wide extension, delivers the consumer bound hand and foot to the supplier. In European countries the harmful effect of this combination of interests

is beginning to be felt. Already, the refusal to agree to certain conditions of delivery, such as careful handling, and small vexations which are the precursors of big ones, should be a warning of the imminence of the danger.'

"If this engineer is so much concerned with the gravity of the position, it means that from the point of view of public safety there is a considerable difference between the rail made of good steel and the rail made of indifferent steel. The experts will tell you, in fact, that when a rail made of good steel breaks, the fracture is clean and the rails remain in position, so that for some time trains may continue to pass over it, pending its replacement; whereas the fracture of a mediocre rail is complicated, pieces of it fall away, and if a train passes over it there is every chance of its being derailed immediately.

"This explains why the attention of railway engineers has been specially drawn to the inconveniences attaching to the monopoly by a single syndicate of the manufacture of steel for rails."

Thus, the tendency of capitalist monopoly is not only to enhance prices, to centralise production and to restrict consumption, but also to depreciate quality.

From every point of view, capitalist monopoly injures the whole of society, the monopolists alone excepted. And these cumulative injuries cannot fail to evoke a desire to wrest this monopoly from its

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capitalist owners, and to transfer its management to society itself, for its own interests. In other words, the conversion of private monopolies into public monopolies.

The practical form which this demand assumes is the transfer of capitalist monopolies to the State or other public bodies. The spreading of this idea is favoured by two circumstances.

First, the superiority of private to public management has been recognised in many quarters as being due to the free scope for individual initiative; now when monopoly has supplanted competition, this free scope no longer exists. The bureaucratic methods of the big companies have often been described, and they leave nothing to be envied in comparison with the bureaucratic methods of the State. I do not emphasise this: I would only draw attention to a particular aspect of this problem, viz., the dictatorial methods by which not only trusts of the American variety, but also Kartels of the German kind, break down every semblance of independence and personal initiative within and without.

In a carefully annotated study of the *Psychology of Kartels*, Mr. Wilhelm Kantorowicz, a trustee of the Berlin Merchants Corporation, has devoted to this subject some pages which should be read. He describes the profound changes introduced by the Kartel into modern economic life: the subjugation of the body of producers to the supreme will of the Kartel, the

substitution of draconian regimentation from above for free initiative from below.

"Business men," he says, "cease to be independent employers, and become servants of the Kartel; the merchants are nothing else but its agents. If a place still remains for the merchant, if he is still tolerated and not eliminated, as most often happens, he ceases in any event to be an independent trader; his commercial activity loses all intellectual attraction; all the business qualities which the independent traders had occasion to display—knowledge, experience, decision, perspicacity, activity, ambition, honesty, rapidity of movement—all these qualities are thrown into the lumber room, like worn-out tools. The merchant who was proud of his independence and freedom of movement, who renewed at this source the strength necessary to carry on the struggle, falls into the ranks of salaried servants. He must carry out the instructions of the Kartel; he ceases to think for himself; to him is assigned his sphere of activity, outside of which he is not permitted to stir, and the prices at which he must buy, and often at which he must sell, are dictated to him. He is fortunate if in these conditions he still finds it possible to live."¹

The second circumstance which favours the transition to public monopoly, consists in the fact that all the administrative conditions for the management are

¹ Kantorowicz, *The Psychology of the Kartel*, 1904, pp. 20 and 21.

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created by private monopoly. The technical organisation of the enterprise, the co-ordination of its departments, the division of labour, the commercial relations with both supplier and customer—all the wheels of production are already in motion, and it only remains for the State to step in and take possession.

Ponder the quotation which I give from a great financial organ, the *Messenger de Paris* :—

“The monopoly of alcohol will soon be an accomplished fact in Germany. It is not without interest to recall that, in 1885, Bismarck made a vain attempt to establish this new monopoly in Germany. His proposal was attacked with vehemence by the progressive leader, Eugen Richter, who reproached him with favouring the distillers of malt and potatoes, all agrarians, reactionaries and often landed gentry. The Reichstag debate was damaging, and on the final division there were 3 votes for the monopoly and 181 against. Since that time, no Chancellor has attempted to revive the project.”

“How is it that thirty years later the reappearance of the monopoly arouses no opposition in Germany ?

“It is a business which concerns the Kartels, and in saying this, we put our finger on the enormous danger inherent in this very modern type of organisation.

“Already there has existed in Germany, for some years, an association called ‘The Central Company for the Utilisation of Alcohol,’ composed of most of

the distillers of raw alcohol ; this company produces at the present moment, in its 107 factories, about 80% of the distilled alcohol which is prepared in Germany. It has entered into contracts with the majority of the manufacturers of raw alcohol, and it is estimated that it controls in this way 50% of the alcohol distilled from potatoes and molasses. The Central Company, then, as far as the German market is concerned, possesses, if not an absolute monopoly, at least a sufficiently preponderating influence to enable it to fix prices, which it does, as a matter of fact, three or four times a year. Its intervention has resulted in such an increase in the price of alcohol that the stocks have trebled in two years, owing to the decrease in consumption.

“ Since then, the company has been obliged to lower prices, but it naturally keeps them as high as the public will tolerate.

“ Such a powerful organisation has prepared the way for a State monopoly. It has accustomed the distillers and rectifiers to severe discipline ; it has created the machinery—supervisors, district committees, commercial agents—without which an undertaking of this kind cannot be conducted ; above all, it has carried out without compensation the two expropriations which the State could not perhaps have effected in such an economical manner—the spoliation of the consumers, who have been obliged to pay dear, and the spoliation of brokers, whose reason for existence

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has simply been abolished. Under these circumstances, it will be readily understood that the Chancellor, after having seen the debt of the Empire increase by 325 millions of francs in 1906, is pleased to find a source of revenue so skilfully managed to balance his budget.

"Thus we find experimentally verified the enormous dangers of Trusts and Kartels, which prepare the way for nothing less than the realisation of the Collectivist ideal: the nationalisation of the means of production."¹

Such are the chief factors which have created the great movement towards the nationalisation and municipalisation of the monopolies which have been developing in the world with ever-increasing strength for a quarter of a century.

Posts, telegraphs, telephones, railways, mines, canals, banks of issue, tramways, supplies of water, gas and electricity, insurance, etc., in all these spheres and many others, the Collectivist principle has more and more supplanted the capitalist monopolies.

This Collectivism is municipal, national, and even international, such as is the case with the international administration of posts by the "Universal Postal Union," which includes the postal administration of 83 States, whose field of influence extends over a territory of 144 square kilometres, inhabited by 1 milliard 200 millions of men, and which is directed

¹ *Messenger de Paris* of December 5, 1907, supplement.

by a permanent administrative authority, the office of the Universal Postal Union, situated at Berne, and by a deliberating and legislative authority, the International Postal Congress, which meets every five years.

Of course, the transfer of capitalist monopolies to public control does not proceed without encountering formidable obstacles. The owners of such businesses defend with vigour their right to levy a toll on the community, and they receive much assistance in the Press and elsewhere. It is well known how the American railway companies form political organisations to be manipulated according to their pleasure ; and also how they excel in obtaining control of existing political groups, which, of course, saves them the trouble and expense of organising their own group. The Railway King, Jay Gould, the master of the Erie line, has explained his methods before a Committee of Inquiry : " In a Republican district, I was a Republican ; in a Democratic district, I was a Democrat ; in a doubtful district, I was doubtful ; but I was always Erie."

Other companies are known to subscribe to the funds of both parties, " just as one is insured in several insurance companies against fire and other accidents."

As regards France, M. Alfred Picard, in his great *Treatise on Railways*, writes as follows with reference to the influence of railway companies on parliaments :

"History tells us that in certain foreign countries, such as England, these influences are very powerful, and offer serious obstacles to the ordinary activity of public authorities; even in France they have gained admittance at certain periods to our two Chambers."

He remarks that in the latter country "every time the general railway system has been under discussion, there has been a veritable deluge of articles, pamphlets and briefs in favour of the companies." And the Parliamentary Inquiry of 1895 into the moral conditions under which the Conventions of 1883 were concluded, disclosed the fact that the companies spent in 1882 and 1883 upon their "publicity campaign," as they called it, and especially in subsidising the Press, 735,000 francs and 718,000 francs respectively, not counting the numerous permits for free distribution issued by them for services rendered.¹

The same things happened in Austria as long as the Company system lasted. "Wholesale publicity agreements were entered into with newspapers of every shade of opinion, even the most obscure sheets; influential political persons were chosen as members of boards of directors (a title which was far from being an honorary one); diplomatic influences were set in motion to assure to foreign capital invested in Austria the protection, after the example of the

¹ See our book, *Le Rachat des Chemins de Fer*, introduction: "Comment les grandes compagnies travaillent l'opinion publique."

‘rights of peoples,’ to which those who impudently exploit their fellows to obtain profits believe they can lay claim.”¹

The railway companies are not alone in manipulating and misleading opinion by securing the good offices of a large number of newspapers, and the benevolent neutrality of most of the others. It may not be forgotten that in 1901 M. Rene Viviani suddenly resigned his post as chief editor of a Parisian newspaper of very advanced opinions, because, in spite of his repeated interdictions, the columns of his paper were complaisantly opened to short notes favourable to the renewal of the concession of a great Parisian lighting company. On the other hand, it has been proved that the great French banks, thanks to the “publicity allocation,” are masters of almost the entire Press, and for this reason enjoy the right to swallow up milliards of French savings in doubtful and unpatriotic investments, as the great railways have the right to massacre their passengers at their discretion with impunity.²

¹ Antoine Braun in *Annales de la régie directe*.

² In 1910 and 1911, at the time of the campaign against the Western State Railway, we published in the *Records of Public Administration* a series of articles which showed that in every country, including France, railway accidents are more numerous on the lines of the companies than on the State lines. Albert Thomas gave a summary of our results in his report on the budget for the year 1912. The railway companies then felt the need for a reply, which was made in an article where the superiority of the French companies, from the standpoint of safety,

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The audacity and trickery displayed by capitalist syndicates in poisoning public opinion are sometimes exerted in such ways, that, compared with them, the adulteration of foods by the Trusts, which poison the body, are foolish child's play, instead of being repugnant and criminal. "An impartial examination of the so-called failures of American towns in attempts at public administration," writes an attentive observer, "shows that the facts on which the criticisms are based, are found to have been nearly always distorted or misinterpreted. Take, for example, the matter of the town of Dubuque (Iowa) about which so much noise was made in 1908. The water supply, administered by the city, showed continual and growing deficits. When, at length, a serious inquiry was made into the causes of this state of affairs, it was discovered that the superintendent of the service had embezzled profits to the amount of 12,000 dollars, concealing his frauds by false entries.

was demonstrated by incredible methods: for example, in comparing the lines of French companies with those of foreign countries, only accidents to trains (derailings and collisions) were counted as regards French companies, whereas for foreign State systems, accidents of all kinds were counted, for example, accidents which happened to passengers through their own fault in entering the train and alighting. Of course, we made a reply to the special pleading of the companies, proving not only by figures, but by facsimiles of the statistics, the deliberate and systematic nature of the deceit, and Albert Thomas, in a new Parliamentary report, in the Budget report for 1913, summarised our demonstration. But this time the companies chose the part of silence, and while hundreds of newspapers have spread through France their crooked statistics, only two or three could be found to publish the authentic figures.

"But the evil was deeper seated, for the experts at length brought to light a plot entered into by private contractors, who had made arrangements with certain officials to the end that the working of the water supply should regularly show a deficit. These people anticipated a change in public opinion, which would hand the enterprise over to them for a song. The publicists who have emptied pots of ink in proclaiming the 'Dubuque failure' have carefully refrained from adding that since the sources of the evil have been stopped, the service functions regularly in a satisfactory manner."¹

Yes, by means such as these, the persons who benefit from capitalist monopolies may be able for a time to postpone their transference to the community—but only for a time! In the long run, the truth will prevail, first, as to the nature of these tactics, and then as to the harm inflicted on the people by monopolist Capitalism—and finally, as the area of public management extends, as to the benefit which it secures to the whole community.

We now propose to set forth these benefits.

¹ G. N. Trocoche, "Some Objections raised against the Municipalisation of the Public Services in the United States," published in the *Annals of Public Administration*, t. V, p. 165.

CHAPTER XV

PUBLIC CONTROL AND THE IMPROVEMENT OF QUALITY

THE capitalist looks on his business as a means of realising a profit, and the largest profit possible. The community, when it takes over a business, has the single aim of supplying a commodity or a service under the best conditions as to quality and price.

In the transport services, quality means, above all, safety. Now the railway companies have calculated that "it is cheaper to pay for accidents than to prevent them." And for this reason, they kill their passengers. I have had an opportunity of showing that the proportion of passengers killed as a result of train accidents is larger on the lines belonging to French companies than on those belonging to foreign States, and that the remainder, estimated on the basis of the length of journeys, and density of traffic, amounts to 31% for the Belgian State Railways, 186% for the whole of the German State Railways, and 97% for the Swiss State Railways.

Comfort is also an element of quality in regard

to the transport services. Now it is a well-known fact that in this respect the lines belonging to the countries which adjoin France offer a great superiority over those belonging to the French companies. The Swedish State Railways have possessed for years, and those of Finland for 30 years, third-class sleeping carriages, available for an extra payment of 3 francs 50. Where is the railway company which can boast of similar enterprise?

A frequent service of trains also enters into the quality of the transport service. Now, in 1912, whereas for every kilometre of permanent way belonging to the French companies, there were only 18 passenger trains per day, this number was 22·51 for the German State lines, 24·54 for the Swiss State lines, and 28·70 for the Belgian State lines; and while the increase in the number of trains, between 1890 and 1912, was only 33% for the lines of the French companies, it was 50% for the Belgian State Railways, 72% for the German State Railways, and 80% for the Swiss nationalised railways. Lastly, as regards the latter lines, while between 1890 and 1900, under the regime of companies, the average annual increase was only 2·88%, between 1900 the year before the purchase by the State, and 1912 it was 4·31%.

In insurance matters, quality means promptitude and security in the payments of policies due. Now, from this double standpoint, public insurance offers

guarantees to the community which it does not receive from the companies. It was an economist famous for his hostility to public management, viz. M. Jules Domergue, chief editor of the *Reforme Economique* (whose opinions are those of M. Jules Meline), who wrote as follows in this journal on the subject of French Fire Assurance Companies: "The premium is secret, which fact enables the companies to treat identical risks very unequally. The conclusion of an insurance contract is dependent on the payment of the first premium, the acceptance of which is sometimes delayed by the Company, in order to secure, in the interval, the right to harsh conditions of forfeiture in the case of accidents. This is worst of all in the case of the revision of the policy to correspond with greater risks. The revised policy is often not handed over to the insured person until the stock of goods which it is to cover has been disposed of. But the two most serious abuses are, on the one hand, the fact that the insured party is obliged, under pain of forfeiture, to make a series of declarations respecting things and circumstances which he cannot know, or only imperfectly understands, and he is covered neither by his good faith nor by the absence of prejudice in the case of omission, nor by the knowledge possessed by the Insurance Company, or at least, by its agent, of the aggravation of the risk. This position, in fact, renders the insurance contract absolutely one-sided."

On the other hand, a second abuse is the deduction of "new for old"; many specious arguments are put forward in defence of this practice, but in equity it is quite indefensible. With this clause insurance is no longer a bona fide contract."

What a contrast between this scandalous system, which is a disgrace both to the people who practise it and to the government which tolerates it, and the system of public insurance! Here is a list of the advantages offered by the departmental fire insurance of the Côte-d'Or over those of the private companies:—

(1) The effecting of an annual saving of 30 to 40 per cent.

(2) Abolition of long contracts; the policy is annual, and is renewed every year by the simple payment of the premium.

(3) All changes in the policy are made gratuitously.

(4) Neither the policy nor its revision costs anything.

(5) Facilities for insurance at the local town hall.

(6) Notification of accidents can be made at the town hall.

(7) After an accident has happened, the damage is estimated without cavilling and bargaining.

(8) Property is insured irrespective of the buildings in which it may be located, and without the necessity of indicating the places where it is or may be stored.

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(9) Abolition of the payment of any forfeit in the case of cancellation or diminution of the insurance, the insured person being always at liberty to withdraw or revise his insurance, whenever it seems proper to do so, without expense.

Calculation of loss without cavilling or bargaining. Is an actual confirmation of this essential principle needed? I quote from the *Rappel Socialiste* of Dijon, under the signature of A. Mairey, the following simple facts: In 1909, the Insurance Office had no accidents. It did not complain of this, nor, for that matter, did the insured persons. But in 1910 it had to deal with a case of double accident, which furnished an opportunity for judging of the excellence of its operations. On May 10 last, at 3.30 in the afternoon, at Bessey-en-Chaume, a thunderbolt fell on the property of two out of the eleven insured persons of the commune. The roof was pierced, and a beast was killed on the premises of M. Cugney-Bazerolle, who was insured for 12,000 francs, and had paid a premium of 9'96; considerable damage was done to the premises of M. Claude Pangot, who was insured for 12,000 francs and who had also paid 9'96. M. Cugney claimed 450 francs and M. Pangot 124; the office granted to the former the 450 francs which he claimed, and reduced to 100 francs the compensation asked for by M. Pangot, which he accepted without demur. The Board of Directors confirmed this immediately, and on May 24 (14 days after

the accident) the two victims received orders of payment upon the collector. This is certainly not a case for criticising administrative slowness.

It would be easy to multiply examples indefinitely, but we must limit ourselves to a few. We give a few instances relating to food. At Budapesth, while the private bakeries add as much as 40% of potatoes to the flour, the municipal bakery has kept this proportion as low as 18%; as to the hygienic conditions, they cannot be compared; we will only mention that at the municipal bakery, where the equipment is based on the latest technical improvement, the manual labour is reduced to a minimum, and the workers, not very numerous, are obliged, before commencing their duties, to take a bath and put on special clothing supplied to them by the bakery. At Verone, before the establishment of the municipal bakery, bread was made under bad conditions, in unsuitable premises and with primitive appliances. But the municipality immediately installed in the bakery mechanical kneading troughs and steam ovens, and the private bakers were compelled to follow its example, under penalty of extinction. At Veronne again, the fish in the municipal market is famous for its freshness, and meat in the municipal meat market is of the finest quality.

At Catane, in 1902, the Socialist municipality, under the direction of De Felice, established a municipal monopoly in the baking of bread. In

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1906 the Italian Government put an end to the monopoly, and consequently enabled the private bakeries to be reopened, side by side with the municipal bakery. But the experience had lasted long enough to allow De Felice "to demonstrate from the Customs Returns an extraordinary decrease in the entries of ingredients used in the adulteration of bread."

CHAPTER XVI

PUBLIC CONTROL AND THE REDUCTION OF PRICES

IN contradistinction to capitalist enterprise, which never seeks any but the one object of profit, public enterprise may aim at achieving several purposes.

Its essential or unique object may also be to realise the maximum of profits. At one and the same time, it may earn profits for the Treasury and provide the community with the best service at the lowest price.

Lastly, it may only have in view the assuring to the community of various kinds of advantages, and, in order to carry these advantages to the highest degree, may abandon all hopes of making a profit, or may even seek assistance from the Public Treasury. It is, therefore, needful to distinguish several kinds of public control, especially these basic types:—

(1) Profitable services; (2) subsidised services; (3) services with financial autonomy.

Among the services which are worked for a profit, a separate place must be reserved for those which aim at realising the maximum profit and which,

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strictly speaking, are nothing more than a particular way of imposing taxation.

These are the fiscal monopolies.

Fiscal monopolies, like those of tobacco or matches, are the methods of former times. They may be, at a given moment, necessary expedients, but nothing more.

Subsidised services, such as municipal disinfection, or cheap municipal houses for large families, or the supply of food at reduced prices, are also, of necessity, exceptional forms of public administration. Because the former are detrimental to the consumer, and because the latter are a charge upon the Exchequer, they are obliged to remain within fairly narrow limits. The form of public control of the future, which will be based on a principle capable of indefinite expansion, and the form of public control which even to-day is by far the most common of all, are those which ask nothing of the Public Exchequer, but which, on the other hand, do not aim, or at least not entirely, at giving assistance to the Exchequer. And it is safe to assert that, as regards the latter forms, the type which comes into prominence is that of the services with financial autonomy, or public enterprises which are operated for the good of the community, but aside and apart from its general administrative activities, without costing the Treasury anything or bringing anything to it.

This kind of public service is the most important

at the present time, and it is in full process of growth and self-propagation.

Invested with a monopoly, capitalist enterprise would fix the price which assures it the maximum profit, and would mechanically tend towards this price.

Invested with a monopoly, public enterprise is able to choose between a whole series of prices, and will decide in accordance with the objects it has in view. In the case of a fiscal monopoly, it will fix, like the capitalist enterprise, that price which will assure the highest profit. As a service with financial autonomy, it will adopt the price which will balance receipts and expenditure, in other words, the cost price. Public services which are worked at a profit, without being, strictly speaking, fiscal monopolies, will adopt a price lower than the maximum profit price, and higher than the cost price, in order to safeguard the interests of the consumer, and at the same time satisfy the demands of the Treasury.

Finally, the subsidised service will adopt a price between the cost price and gratuitous supply, according to the amount of the subsidy at its disposal, and, if the subsidy allows, will run the service gratis.

Let us look again at the figures in the table (p. 176) which formed the basis of a previous discussion.

A fiscal monopoly, exactly like a capitalist enterprise invested with monopoly, would decide upon the price of 5 francs, which assures the maximum profit,

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TABLE XVII

FIXATION OF PRICES UNDER MONOPOLY CONDITIONS

Price.	Demand.	Gross Returns.	Expenses.	Net Return.
Francs.	Unit.	Francs.	Francs.	Francs.
100	0	0	0	0
50	10	500	20	480
20	50	1,000	100	900
5	1,000	5,000	2,000	3,000
3	2,500	7,500	5,000	2,500
2·25	4,500	10,125	9,000	1,125
2	5,000	10,000	10,000	0
1	12,000	12,000	24,000	— 12,000
0·50	20,000	10,000	40,000	— 30,000
0	50,000	0	100,000	— 100,000

3000 francs. A service worked at a profit, which does not belong to the specific fiscal type, would decide upon the price of 3 francs, if it is obliged to hand over 3000 francs to the Treasury, and the price of 2 francs 25 if a profit of 1125 francs is sufficient. A service with financial autonomy would adopt the price of 2 francs. Lastly, a subsidised service would adopt, according to the size of the subsidy at its disposal (12,000, 30,000, or 1,000,000 francs), the prices of 1 franc, or ·50 or gratuitous service.¹

It is clear that there is only one case where—other things being equal, as the mathematicians say—the price is as high under public control as under private

¹ It is obvious that in our table we have only taken into account a small number of prices, although in practice there are many intermediate prices. This would be brought into greater relief if we expressed the law of demand and its corresponding quantities in the form of curves.

enterprise, and this is in the case of fiscal monopoly. In every other case it is lower, of necessity.

It seems to us that it would be useful to supplement these general remarks by citing the facts of actual experience, which, in all countries, exhibit the tendency of public administration to reduce prices.

These facts acquired special prominence during the period commencing about 1905, which was marked by a general tendency towards dearness, and in which the reductions in prices effected by public services gave a sharp impression of a contrary current flowing from independent sources.

In 1906, in France, letter post was reduced by one-third, from 15 to 10 centimes. On the State railways of Prussia, from 1900 to 1909, various reductions lowered the average charge for carrying a passenger over a kilometre of the line from 2 pfennings 65 to 2 pfennings 32, that is 12%. In Switzerland, the public fire insurance office of the Canton of Vaud reduced, on January 1, 1912, the initial premium of 80 francs for every 1000 francs of insured property to 70; and in France, in the department of the Côte-d'Or, the public fire insurance office, established on January 1, 1909, immediately fixed premiums 30 to 40% lower than those of the companies.

In Italy, following on the municipalisation of laws of 1903, a number of Communes took over the gas supply, and the following reductions of price were ascertained: 23% at Reggio in Calabre; 24% at

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Asti; 30% at Undine; 33% at Reggio Emilia; 40% at Imola; 41% at Vicence; 45% at Voghera; 50% at Spezia; 52% at Padoue.¹

Beginning in 1907, a series of towns in Switzerland, in order to counteract the increasing dearness of living, opened municipal shops, in competition with private enterprises, and reductions of price were effected—for potatoes, 12 to 20% at Schaffhouse, 14 to 18% at Lucerne, 17 to 24% at Berne; for carrots 11 to 16% at Lucerne, and in the same town 10% for apples; for coke, 15 to 24% at Berne; for various combustibles, 29 to 50% at Zurich.²

¹ Gisela Michels-Lindner, *Geschichte der modernen Gemeindebetriebe in Italien*, p. 207.

² See *Annals of Public Administration*, t. IV, (1912), "Our Inquiry into the Action of the Swiss Communes against the Increasing Cost of Living" (pp. 97-164).

CHAPTER XVII

THE REGULATIVE ACTION OF PUBLIC ENTERPRISE

IT sometimes happens that a public enterprise does not supplant private trading, but exists by its side and enters into competition with it. Its object then is to break the actual monopoly established for the profit of a private capitalist, or group of capitalists, to set up competition again, and to make the position more healthy.

This mode of intervention has been greatly extended during the last dozen years, and has shown itself to be remarkably efficacious.

At Budapesth, on the day when the municipal bakery opened, August 22, 1909, black bread was sold by the private bakeries for 37 centimes ; the municipal bakery sold it for 26 centimes, that is, 9 centimes or 30% cheaper ; white bread was sold in the private bakeries for 45 centimes ; the municipal bakery sold it for 34 centimes, that is 11 centimes or 24% cheaper. The private bakeries were compelled to lower the price, and the reduction amounted, at the end of 6 months, to 6 centimes for the two kinds of bread,

and at the end of a year to 8 centimes for white bread and 9 centimes for black bread. One year after the opening, this double result was obtained : the prices of the municipal bakery were 40% lower than those of private bakeries at the date of opening, and since that time, the private bakeries had reduced their own prices by 24%.¹

At Verone, bread was sold by private bakeries at 51 and 53 centimes the kilogramme in 1909, at the time of the opening of the municipal bakery. The latter sold it at 42 and then 40 centimes, that is, 18 to 25% cheaper, and many bakers in the town adopted this price, whilst others "probably because they are at a distance from the municipal bakery, charged 44," a price which was still 15 to 17% lower than the original price.²

At Verone, again, when the municipality opened butchers' shops, in 1909, the private butchers gradually reduced their prices almost to the level of those prevailing in the municipal shops.

The following instance, which related to the town of Brescia, well illustrates the considerable influence of the municipalities in this matter. In this particular

¹ "The Municipal Bakery of Budapesth and its Action on Prices," by Emeric Forbath, Civil Engineer, Professor at Budapesth Polytechnic, in the *Annals of Public Administration*, t. XI, pp. 161-165 and pp. 330-331.

² See our "Study on the First Congress of the Italian Public Administration" in the *Annals of Public Administration*, t. XI, p. 323, and an article by G. Fassio on the "Municipal Bakery of Verone," *ibid.*, t. IV, p. 80.

case, the town availed itself of the aid of a Co-operative Society, but this method of operation, although interesting in itself, does not alter in any way the essential nature of the transaction.

In December 1910, the municipal administration of Brescia, in order to remedy an acute crisis in the meat market, conceived the idea of securing a certain quantity of frozen meat, and offered it to the private butchers. "We are able," it said to them, in effect, "to procure for you during a specified period, frozen beef of the best quality, which you would be able to sell at 1'50 francs the kilo. In order, however, that you might have a little more profit, we are willing to fix the price at 1'60, but if we do not obtain your support, we must take other steps to protect the interests of the consumer." The butchers smiled at this threat, and rejected the proposals of the municipal council.

By an arrangement made with the Co-operative Society, which showed once again that the latter only functions in the interests of the mass of the consumers, the municipality entrusted this organisation with the distribution of the frozen meat it had imported from the Argentine Republic, which would be sold at 1'50 the kilo, and informed the inhabitants that retail selling would commence on December 17.

Faced with the measures adopted by the municipality, the Butchers' Syndicate, which, in recent months, had sold frozen meat at the price which pre-

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vailed in the country, ordered a fresh supply of this meat, and on the morning of Saturday, December 17, tickets were to be seen exhibited in nearly all the private butchers' shops, bearing an inscription in large letters, "Best quality frozen meat: 1'50."

The direct service organised by the municipality with the aid of the Co-operative Society had achieved the desired object.

No form of taxation would have obtained a success so rapid and effectual.

In Switzerland, the sale of sea fish by the town of St. Gall, in 1907, reduced prices by 30%; a similar result was obtained at Schaffhouse in 1910; at Fribourg the sale of potatoes by the Commune in 1910 and 1911 had the effect "of checking an increase in the price of the commodity." At Lausanne, in 1910, the sale of potatoes by the town, which only lasted for a few days, effected a "considerable reduction in the price of this article, and several speculators lost heavily;" at Zurich—these are the words of the municipality itself in a report—"the initiative taken by the town (the sale of potatoes) had the result of lowering trade prices."

At Odessa, in Russia, the price of bread sold by the municipal bakery exerted a regulating influence on the local market.

At Kichinew, the municipal butchers' shops reduced the price of meat by 12%.

During the same period, a number of German

towns—Karlsruhe, Essen, Solingen, Elberfeld, Barmen, Magdebourg, Pforzheim, Constance, Mannheim, Baden-Baden, Wiesbaden, Fribourg-in-Brisgau, etc.—opened shops for sea fish, potatoes and other vegetables, milk, fuel, etc., and it was estimated that reductions of 10 to 30% were effected on the local market.

In France, the control by municipalities established since the war, everywhere led to similar results. At Montpellier, "the rise in prices which took place continually before the opening of the municipal butchers' shops, was checked at once," and in the private butchers' shops meat was bought 15% cheaper than at Toulouse, a town situated in the very centre of supplies, and 25% cheaper than in Beziers, a neighbouring town where previously the price of butcher's meat had been the same as at Montpellier. At La Rochelle, the extraordinary Municipal Provisioning Committee sold a number of articles (flour, potatoes, haricots, sugar, eggs, milk, fuel), at prices 15 to 20% lower than trading prices, and "the sale to consumers," as the Mayor testified, fulfilled the function of regulating the market. At Beauvais, "from the date of its establishment (October 1, 1906) the municipal meat shop was always the regulator of prices, and meat was sold cheaper than in similar towns of the district, and even in the country. There had always existed a difference of '30-'40 francs a pound as compared with the towns of Rouen and Amiens, and the prime

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cuts of beef sold at Neuilly-sur-Seine for 4·50 francs a lb., when on the same day only 2·70 francs was paid for them at Beauvais." In this same town "the municipality, encouraged by the success which had attended its previous experiments in public enterprise, directed the Provisioning Committee to set up a public store, and by supplying goods at cost price, plus expenses and a reasonable profit, allowed the local traders to compete all the time with the new establishment, which served nearly 3000 families and opened its doors on August 4, 1917."

The first result obtained was an immediate check to the rise in prices and even a reduction as regards a large number of articles. For example, potatoes, which in 1915 and in the first six months of 1916 had reached an average price of 80 francs, fell to 50 and then to 40 and 30 francs. The present price is 35 francs. Dough was reduced by ·50, ·60, and 1 franc per kilo. Lentils came down from 1·90 to 1·40 francs per litre, or 750 grammes.

It was the same with butter and oil—the latter article approximated to the price of 8 francs per litre.

"The encouraging results of this work," adds the author from whom we have borrowed these quotations, M. Maillard Boulet, the Budget Reporter for the town of Beauvais, "have transformed it into an important co-operative undertaking with a capital of 200,000 francs, at the instance and under the supervision of the same Committee, with the object of

conferring upon the community the same benefits as the original organisation, and the shares were all taken up within less than fifteen days. The formation of the league to combat dear living provoked quite a rebellion on the part of the traders, whom it affected very seriously, and whose excessive profits it tended to crystallise, but the formation of a co-operative society at once caused the important houses to cut prices, and to-day we see with real satisfaction advertisements in the local papers of prices that defy competition. But we have a right to ask why these measures, so beneficial to the consumers' pockets, were not taken sooner."

At La Rochelle, "the existing prices being excessive, the municipal administration procured butter and eggs from Normandy and Brittany, and sold them to the public at cost price. The effect of this measure was to stabilise the price of these two articles." Soon afterwards, the municipalities sold potatoes, rice, sugar, carrots, cheese, salt, jam, haricots, coffee, peas, lentils, chocolate, dough, preserved meat and fish, and the same result was obtained. "There may be different opinions about the establishment of general provision shops, directly managed by the towns," wrote the municipal official in charge of provisions at that time, "but in the present circumstances they constitute—and this has been proved by the experience of Boulogne—the most effective means which can be employed to check the excessive rise in the price of

food-stuffs and to combat speculation, as this institution performs the work of distributing commodities and also regulates the retail prices.

"While the methods adopted to check speculation, such as taxation, have been ineffective or have caused a scarcity of goods, direct sale to the public by the municipal provision store has always led to normal prices for foods and products sold by the retailers."

It is to be observed that the steadying effect of municipal shops is not confined to their influence after opening. The mere announcement of their future establishment is now a safeguard for the consumer. At Montpellier, a reduction in the price of meat took place two months before the opening of the municipal butchers' shops, so that "it might be said that even before it commenced its operations, public enterprise fulfilled the function of lowering ordinary trading prices."

The same thing happened when it was announced that municipal pork butchers' shops would be opened. "At the same time as the wholesale price of pork increased by about .30 francs per kilo (the price rose from 3.50 to 3.80) the prices charged by retail shopkeepers decreased by 10 to 20 centimes per kilo.

The regulative influence of public enterprise upon free competition was felt even before the municipal pork butchers' shop started operations, and this effect has continued to operate since.¹

¹ E. Martin, *loc. cit.*, p. 121.

Better still, energetic public action in one department forms a certain safeguard for the consumer in other departments.

At the time of the first experience of public butchers' shops in Germany, at Fribourg-en-Brisgau, in 1894, the opening of the municipal butchers' shops was immediately followed by a notable reduction in the price of bread. At Marseilles, in 1916, the master bakers contemplated going on strike if the Mayor did not relieve them of the tax of 40 to 50 centimes on each kilo of bread. But some time previously, the Prefect had opened departmental butchers' shops in the town, of which the success had been very great. A salutary example which the Mayor, who had been hostile at the commencement of this experiment, was glad to be able to invoke. "I warn you," he said to the bakers, "that on the slightest hint of rebellion, I will at once open municipal bakeries; all arrangements are made for the business to commence." And as fear is the beginning of wisdom, the master bakers gave way, and bread continued to be sold at 45 centimes the kilo at Marseilles. At Rennes, where public stores for the sale of potatoes and fuel and a municipal butcher's shop have been opened, the Mayor stated, "Although we do not sell vegetables, nothing but the fact that we could sell them, prevents speculation."

CHAPTER XVIII

PUBLIC ENTERPRISE AND INCREASED CONSUMPTION

IT is *à priori* certain that the direct or indirect influence of public enterprise in lowering prices leads to increased consumption. This follows as an economic necessity. It may perhaps be useful to illustrate the tendency by a few examples.

In France, in 1906, letter postage was lowered from 15 to 10 centimes. What was the result? "The total number of every kind of postal packets carried in 1905, before the reduction, was 2 milliards, 371 millions in round figures; it reached 2 milliards, 720 millions in 1907, representing an increase of 350 million postal packets, of which 190 million were closed letters. The author to whom we are indebted for these details is M. Chautard, deputy reporter of the *Posts and Telegraph Budget*, and he adds the following comment: "Nothing is more convincing and more decisive for the utility and opportunities of the reform, than this enormous increase of 190 millions of closed letters within the two years from 1905 to 1907, representing 27% of the correspondence of the

country, whereas during the two years which preceded the reform (1903 to 1905) the increase in closed letters was only 36 millions, representing barely 4% of the traffic. This is an economic fact of considerable importance, because activity in correspondence is a reflection of activity in general business, and such an expansion of postal activity has for a necessary consequence, a growth of prosperity, none the less sure because it cannot be measured."

In 1896 the town of Geneva municipalised the electricity supply, which had been conceded to a company since 1888. It was soon able to offer to the public a number of advantages to which it added from year to year during its management.

As from January 1, 1896, immediately it supplanted the company, the municipality reduced the price of electric current from 1 franc to 80 centimes, and became responsible for a larger portion of the installation expenses.

In 1900 it established a decreasing scale of charges especially favourable to small consumers, and in some cases the charge was as low as 1 cent 8 and even 1 cent 4 for one hour's use of a 50-watts lamp, priced at 4 centimes and charged at 5 centimes in the time of the company. In 1902 the charge for fixing meters was lowered, and as regards the smallest pattern, that is, the meter used by average and small consumers, a reduction of 25 to 12 francs was effected. In 1905 there was a further reduction amounting to

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exactly one-half: the hire of the smallest pattern meters was only 6 francs. Finally, in 1906, the last step in this direction was taken—the meters were supplied gratis to the consumers. In 1910 considerable facilities were granted for the installation of electricity in rural industry. In 1911, new reductions were granted both to large and small consumers. As regards the former, a hotel furnished with 1000 lamps consuming 1000 kilowatt hours, paid 25,000 francs to the company; immediately after the municipality had taken over the service, it paid 20,000 francs. In 1910, when the new tariff was established, it paid 15,000, and now it pays no more than 8000 francs, which represents a reduction of 80% effected since the disappearance of the company.

On the other hand—and this is the criterion of measurement—a still greater reduction was made in the tariff which applied to the tenants of small houses comprising three rooms at the most (not including the kitchen), the price of 1 hour kilowatt lamps fell to 1 cent 2, and for the same group of consumers installation was made gratis for a maximum of four lamps. Only one objection could be taken to this second criterion of measurement, and that is, that it might put a premium on small dwelling-houses, and thus promote overcrowding. But the objection had scarcely been formulated before the Electricity Department found means of meeting it. Its method was to take into account the number of lamps instead of the number

of rooms, and to give the benefit of the lowest tariff for electric current and gratis installation to the users of the first four lamps of every kind of installation—a most admirable solution, by virtue of its simplicity, the absolute uniformity of its operation, and at the same time by the concrete discrimination which it set up amongst consumers of different social condition, the benefit of the arrangement entirely accruing to the users of a maximum of four lamps, that is the smallest consumers, and losing its importance as the number of lamps increased. This mode of settlement was made operative from January 1912 as regards the price of the current, and from June 1915 as regards the gratuitous installation of the first four lamps.

Such is the list of advantages granted to consumers.

As to the results, they are as follows: on December 31, 1895, after 8 years of private management, the number of users of electric light was 883; on December 31, 1903, after 8 years of municipal administration, the number had increased to 4778; on December 31, 1915, after 20 years of municipal administration, the number was 29,810; and on December 31, 1918, it was 45,708.

Our third example will be taken from the cost of workmen's tickets on the Belgian State Railways. This tariff is extraordinarily low. The cost of a weekly ticket on this line is 1.50 franc for a journey of 20 kilometres, whereas it costs 2.20 francs on the

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Orleans and the P.-L.-M. (Paris-Lyon-Marseilles) Railway, and 2·80 on the Nord. The cost of a ticket for a 30-kilometre journey on the Belgian State Railway is 1·75 francs ; on the Orleans and P.-L.-M. 3·10, and the Nord 3·60 francs. The French Northern Co., a near neighbour of Belgium, and operating in a district which presents analogous economic conditions to those of Belgium, charges workmen nearly twice as much for the same journey as the Belgian State Railway. Such being the rates, let us consider their effect upon traffic. In 1912, while the number of workmen's journeys for the whole of the French railways was 82 millions, the lines of the Northern Company, which are equal in length to those of the Belgian State Railway, only accounted for 24 millions, whereas the number of such journeys for the Belgian State Railway alone was 85 millions. The traffic in workmen's tickets on the Belgian State Railways was more than three times greater than on the French Northern Railway, and it was greater by 3 millions on the State lines of little Belgium than on the whole of the French railway system.

In Switzerland, fares were reduced by 12 to 20% upon the purchase of the railways by the State, which step was taken on May 1, 1903. The number of journeys made increased from 44½ millions in 1902 to 50 millions in 1903, 54 millions in 1904, 59 millions in 1905, 65 millions in 1906, 70 millions

in 1907, which represents an increase of $25\frac{1}{2}$ millions in 5 years, or 57%, that is to say, 11.42% per annum, as compared with a previous average increase of 6.89%.

Rates as well as fares were reduced after State purchase, and the average reduction in this case was 10%. Commodities which could not formerly be carried on the railway, because the old rates handicapped them in the market, are now able to meet competition. Thus the traffic in goods, like the traffic in passengers, bounded upwards.

The number of tons carried increased from 8,600,000 in 1903 to 8,800,000 in 1904; 9,600,000 in 1905, 10,600,000 in 1906, and 11,900,000 in 1907, which represents an increase of 3,300,000, or 40% in 4 years; an average of 10% per annum, as compared with the former average increase of 5.37%.

A similar class of facts helps to explain why Germany, who bought her railway system 40 years ago, almost at the same time as France concluded "the scoundrelly agreements with the companies," entered upon an economic expansion during that period out of all proportion to the slow progress of our country. Germany's railways were made to subserve the cause of national development, whereas in our case the nation has been nothing but a profit-making instrument for the companies. And whereas in Germany, the inevitable consequence has been that the railways have shared in the prosperity which

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was their work, in France they have suffered from the stagnation which they caused. In more than one respect, the results of the two policies were apparent in 1914. I will only call attention here to one point. "It was with the legs of the soldiers," said General Joffre, "that Napoleon professed to win battles ; we win them with our locomotives." Unfortunately in 1914 we only possessed 13,828 locomotives, while Germany possessed 28,266.

CHAPTER XIX

PUBLIC ENTERPRISE AND CONDITIONS OF LABOUR

IT is generally recognised that public services treat their employees better than capitalist enterprises. We need not, therefore, emphasise this point.

It will not, however, be without interest to show that when public management replaces private management, an improvement in the lot of the employees usually accompanies improvement in the service and reductions in prices, without the finances or the community suffering any loss.

The municipalisation of the electricity service at Geneva assured an absolutely net revenue to the town of 180,000 francs from the very first year, 1896, while the Concessionaire Company had paid no royalty whatever.

This net revenue increased year by year, until in 1918 it reached the figure of 110,000 francs, equal to 43% of the municipal rates. It afforded to the consumers the series of extraordinary advantages we have described, and at the same time it secured to the employees, at once, or within a few years, the

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following benefits : rises in wages for factory workers from 30 to 50, 60 and 65 centimes per hour ; for artisans, from 50 and 55 to 55, 75 and 77 ; for mechanics from 60 to 70, 73, 75 and 77 ; overtime rates were increased up to time-and-a-half for Sunday work and double pay for night work ; wages paid for holidays and an addition of 150% for work done on holidays ; payment of wages during absence on military service, partially at first, and wholly after two years ; annual holidays with pay ; half-pay and free medicine in cases of illness ; old age and disablement pensions, and compassionate allowances to the widow and children under age of 1000 francs if death takes place before the age of 65.

Not one of these protective measures existed in the time of the company.

The Swiss State Railways, nationalised between 1901 and 1903, is a service with financial autonomy. Their receipts must not only cover their working expenses, and provide for the interest and sinking fund of various loans contracted in order to improve the system, but must also cover the interest and sinking fund of the initial debt of over a milliard, contracted when the companies were bought out. They have lowered the rates and afforded the public other benefits, which it is impossible for us to exhibit in detail. In spite of all this, they have been able, without disturbing their financial equilibrium, to improve considerably the conditions of their servants.

An immediate reduction was effected in the maximum working day from 12 to 11 hours, and in certain cases to 9 hours; a concession of 52 days leave per annum, to include at least 17 Sundays; annual holidays of at least 8 days with full pay, to be included in the 52 regulation days at the beginning of service and added to them after the ninth year of service or 33 years of age, and increased by one day for every 3 years of service; immediate increases in all salaries and wages, with the exception of the highest salaries, which were decreased, and automatic increases of wages and salaries every three years until they reach the maximum figure established by the scale of wages and salaries; adherence to strict and uniform rules of promotion; as from 1906, bonuses to meet increased cost of living, with an addition for family expenses; considerable increase in the proportion of permanent staff; drastic reform of the pension system; such are the chief, but only the chief benefits conferred on the staff by nationalisation. A full list of them would be very extensive. In 1906, the General Secretary of the Railway Trade Union, M. Duby, testified in a report: "The state of health of the staff has improved remarkably during the last few years. The engine drivers have been better protected against inclement weather. The new trains are provided with corridors, and have closed compartments for the brakes. Wages have been increased, and the maximum is more easily

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reached than formerly. The staff is therefore in a position to feed itself better and to offer greater resistance to the fatigues of the service. The consequence is that there are fewer applications to the Sick Fund."

The conditions of Swiss railwaymen, which was considerably improved by State ownership, compares very favourably with that of the servants of the French companies. I was able in 1910, at the time of the French railway strike, to work out a comparison under specially favourable circumstances. At this period, the two administrations—that of the Swiss State and that of the P.-L.-M. Company—operated side by side at Geneva, where the two systems come into contact. In the same town there were thousands of railwaymen facing exactly the same conditions of existence and performing the same service, some under the orders of the P.-L.-M. Company and others in the employment of the Swiss State. In the course of numbers of interviews with representatives of the Swiss and of the French Trade Unions, in the office of the Labour Exchange, I was able to obtain exact information, strictly corroborated, as to the conditions of both. The contrast was striking, disquieting, I would even say humiliating. It was proved, for example, that the French P.-L.-M. Company, operating in Swiss territory, had recourse to scandalous practices in order to evade the labour protecting laws. I will relate the following instance, in accordance with the

report of it, which I drew up at the time, and which was reproduced, without any alteration, by the local newspapers.

By the side of the gangs of men engaged first as auxiliaries, and then as probationers, we must mention the workers employed on the same tasks, but as casual labourers. The latter are engaged from day to day. To be sure, their work often closely resembles that of the permanent servants, but they still remain casual employees. From one week to another, with interruptions of a day, the constantly renewed engagement persists. This mode of procedure is dictated by wise strategy. I refer here particularly to the workers of the Paris-Lyon-Marseilles Company at Geneva. This Company is subject to the Swiss labour laws. Now the Federal law "relating to the duration of work in transport and communication services" of December 19, 1902, guaranteed to the employees and workers in these industries a minimum of 52 days leave, at suitable intervals, 17 of which must in any case fall on a Sunday, and it was stipulated that no wages or salary could be withheld, because of these holidays. According to this law, every worker engaged in a transport undertaking from Monday to Saturday has the right to a Sunday holiday with pay. Now the P.-L.-M. Company has found the means of evading this obligation as regards certain of its workmen; it engages them 'occasionally' as casual labourers on

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Monday morning and dismisses them Friday evening or Saturday morning, only telling them to return on the morning of the following Monday to see if there is any work for them. On Monday they are re-engaged and on the following Friday are dismissed, to recommence the following week.

A large number of servants assured me that this is a common practice.

The Swiss State Railway have never been guilty of such disloyalty to the Federal legislation and to their own employees.

The general results of the comparison are set out in the following details :—

The servants of the Swiss State lines enjoy definite rights of promotion, guaranteed by a wages and salaries scale ; those of the P.-L.-M. Company are dependent on the caprices of their chiefs. The system of pensions and sickness funds attached to the Federal Railways is much more humane and much more favourable to the employees and their families than the system connected with the Company. The Federal Railways have granted to all their servants, with the exception of the chiefs, bonuses to meet the increased cost of living since 1906 ; the P.-L.-M. Company has only granted this to certain grades of its employees in a few towns since July 1, 1910 ; and these bonuses, which vary according to the different grades, are always lower in amount to the uniform sum of those of the Federal

Railways. The latter supply uniforms gratuitously to the staff, whereas the P.-L.-M. Company puts the cost of uniforms on their servants. Finally, if the managerial staff of the Federal Railways is not paid generous salaries as on the P.-L.-M., the large mass of their workers and employees is much better remunerated. The difference, which has grown substantially since the new law came into force, is now equal to 28% in the case of the lower grades; 61% for brakemen; 88% for guards; 38% for engine drivers; 42% for clerks; 38% for workshop labourers; 64% for inspectors; 54% for firemen, and 28% for engineers.

Such is, from the social point of view, the superiority possessed over a capitalist company, working for its shareholders by a State line, which is run in the interests of the community, which has granted the public considerable reductions in fares, and by this means augmented the traffic to an enormous degree, and, benefiting from the general economic development it has set up, has been able to draw the means for a constant improvement in the conditions of its staff from its progressively increasing receipts.

CHAPTER XX

FROM BUREAUCRATIC TO SOCIAL ADMINISTRATION

WE know the traditional objections which the opponents of public services never cease to level against them. They are said to be bureaucratic. Their budgets, which are incorporated in the State budget, lack the clearness and elasticity necessary to the smooth running of industrial enterprises. Their methods of accountancy are those of administrative services and are not adapted to economic services. They treat the consumer as a taxpayer, or as a person under their jurisdiction, and not as a customer. They are incapable of protecting their staff from political meddling.

These objections are too often well founded. But they are only valid against some of the forms of public management, and not against the principle itself. Thus the only conclusion which can and ought to be drawn from them is the necessity of abolishing harmful forms of public administration.

It is well also that this is becoming clearer to every one. In the degree that the field of public enterprise extends, the anomaly of fitting the economic

organs of the new industrial State into the stiff cases of the old governmental administrative, military and police State will be more easily seen. More and more the industrial State adapts itself to its needs ; public services are altered so as to bring their structure and organs into harmony with their functions.

This development is based on three great principles : administrative autonomy, control and collaboration of consumers, control and collaboration of staff.

(I) *Autonomy of Administration.*

Originally mixed up with other branches of State administration, and established as part of the general administration of the State, the public services have gradually been detached by a kind of slow organic process of fissiparism.

Internal necessities, and especially outside forces, unceasingly work in this direction.

In the early days of the railway industry, when the Belgian State system claimed to be outside the common law relating to transports as regards its relations with third parties, the Belgian Court of Appeal upheld its contention in a judgment dated November 14, 1844. But this decision proved to be injurious to commercial interests, and it was not long before the Court was obliged to change the system which it sanctioned in 1844, and this was done by a decision taken on May 27, 1852, with unanimity. The same overriding necessity caused the Italian Parliament in 1882 to include in the Commercial

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Code a provision (Article 7), couched in the following language: "The State, the district, the municipality, the parish may not become traders; but they may, within the limits of their powers, carry on trading operations, and for this purpose are liable to the provisions of the commercial law."

In 1888 Portugal introduced into its Commercial Code a similar clause worded in almost the same fashion.

When the French State line was founded in 1878, it was decided, "in order to preserve for its operations a financial and industrial character," to grant it "the autonomy of a private undertaking," and model it on the lines of the organisation of the companies. Thus M. Sadi Carnot, when Minister of Public Works, spoke one day of the "State Railway Company."

At the time of the disputes between the State Railway and some contractors, the Court of Appeal and the Council of State, in two different matters, almost on the same day, in 1889, made clear the general consequences which result from this position, and embodied them in legal records. "The administration of State Railways," declared the Council of State in a decision of June 22, 1889, "by working a line become a transport undertaking, and in that capacity may be held liable for obligations towards a third party, cognizance of which must be taken by the judicial authority" and not the administrative authority. "The administration of the State Rail-

ways," stated the Court of Appeal on July 8, "in working the lines of its system, is a trading concern, like the concessionnaire companies of other railways—consequently the contract made between this administration and a printing company for the supply by the latter of printed matter necessary for the conduct of the business, comes under commercial jurisdiction, and this jurisdiction, in order to pronounce a decision upon the points which have been raised by this contract, must refer to the rules of common law, without taking cognizance of the rules of administrative law governing the management of the public interests of the State."

The same principles tend gradually to assert themselves in the relations between the industrial State and its customers, that is to say, the general public.

The dispute between Miss Sylviac and the telephone administration in 1903, will no doubt be remembered. It made considerable noise at the time. Miss Sylviac, not obtaining the connection asked for, in a fit of impatience, let slip some impolite remarks to the telephone supervisor and his subordinates. The administration there and then imposed the penalty within its power, "and cut her wire," that is to say, after making her pay her subscription for the telephone, prevented her from using it, and immediately afterwards referred her to Article 224 of the Penal Code, which punishes an injury done "to any Governmental official invested

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with public authority, and to any citizen in the employment of a public ministry, in the carrying out of their duties."

Let us put on one side the first point, which is the putting into force of an unjust clause in the contract between the subscriber and the Administration. The question which interests us is whether the employees of an industrial undertaking like the telephones are to be regarded as Government officials and persons invested with public authority, or as citizens in the employment of a public ministry, and consequently, whether an injury which, if done to the employee of a private concern, would be punished by a fine of from 1 to 5 francs, should be punished by a fine of from 16 to 200 francs, if done to the employee of a State industrial enterprise, in addition to which the offender must compensate the injured person, and render himself liable to arrest for debt if he refuses or delays payment of the fine.

The whole problem of the legal character of the industrial State and of the nature of the relations between the public and the industrial State was at issue in the discussion.

"Miss Sylviac," wrote Marcel Sembat, "was vigorously defended; she was encouraged by the Press, people praised her heroism; the telephone subscribers united, and in the Constitutive Assembly one enthusiast went so far as to call her a Joan of Arc."

The Odeon actress was acquitted in the lower court. And there the matter ended. But another subscriber, who was in a similar position, M. Belloche, was condemned, and his case went to both Courts of Appeal. The decision of the highest court was, therefore, given in his case. What was it?

The Court of Appeal of Paris having, by a decision of October 25, 1904, revised the decision of the Court of Summary Jurisdiction, and the Attorney-General having taken out an appeal against this judgment in the interest of the law, such appeal was dismissed by the highest Court of Appeal.

The terms of this judgment, which henceforth determined the law on this subject, deserve to be quoted:—

“The Court considering that the words ‘citizen in the employment of a ministry of public service’ must be understood to mean any servant invested, in whatever degree, with a share of public authority, but that this description must not be held to cover all persons who share in this authority, although a public interest attaches to their services; considering that M. Belloche has been prosecuted for insults offered to the girl N—— employed in the telephone services, and regarded as being an employee of a ministry of public service; that it is clear from the decision challenged that the work of this employee consists more especially in connecting subscribers—considering that such an employment does not imply

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any attribution or delegation of public authority ; that such a consequence as is alleged by the girl N—— cannot any longer follow from the professional oath ; that therefore the decision in question which declared that Article 224 of the Penal Code was not applicable in this case, has not committed any violation of this article—the appeal is dismissed.”

But it is in the relations between the industrial State, as employer, and its servants, that the common law has been most slowly introduced. By a strange lapse of logic, while the autonomy of the industrial State has been recognised as regards its contractors and its customers, this did not hold good for its employees. Legal disputes between public services and their contractors were referred to the ordinary Courts, but legal disputes between public services and their employees were referred to the administrative jurisdiction. An editor of the *General Jurisprudence* of Dalloz stumbled on this fact, and was astonished. “Law-suits relating to the administration of the State Railways,” he wrote, on the occasion of the decision of the Council of State of June 22, 1889, mentioned previously, “may be heard before civil tribunals, when they are defended by contractors or by private citizens who use the railways for transit purposes ; it seems that the same rule of jurisdiction should apply in cases of dispute between the administration and its employees. In spite of this the Council of State had acknowledged that the Ministry

is competent to make regulations in this matter. See Council of State, January 25, 1889."

This jurisprudence, which is in absolute contradiction with the legal character which the Council of State has ascribed to the State Railways, has never been abandoned by the high administrative tribunal—more alive to the rights of traders than to those of workmen; to put an end to its harmful results, it has been necessary to pass a law, or rather two laws, as owing to the first law of August 27, 1890, having a general character, the Courts found means of ignoring its application to the staff of the State Railways, although this interpretation had been constantly emphasised in the debates to which the law gave rise.

Here is the text of the single clause of the law of March 30, 1905, passed without discussion by the Chamber and the Senate.

"The ordinary tribunals are competent to give decisions upon any difference which may arise between the administration of the State Railways and its employees as to their working agreement."

Eleven years earlier, on May 22, 1894, under memorable circumstances, the Chamber of Deputies had passed a resolution which put the staff of the State Railways on the same legal footing as persons in private employment, and in a still more important respect.

The matter in question was a Trade Union right.

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The administration of the State Railways—with M. Celestin Jonnart as Minister of Public Works, and M. Casimir Perier as President of the Council—had refused to allow two of its servants, who had been elected as delegates by their colleagues, to attend a congress of the Railway Workers' Union. The Chamber adopted the following resolution, which defeated the Government and finally settled the question: "The Chamber, considering that the law of 1884 applies to the workers and employees engaged on State undertakings, as well as to those in private employ, recommends the Government to respect it and facilitate its execution." In this manner, the principle of putting public services on the same legal footing as private enterprises is gradually being carried out.

While this process is being worked out, other changes are taking place. Parliamentary control is demanding greater clearness in the accounts of the State's industrial establishments. Exactly how much a public service costs, and how much it produces, is required to be known; and there is only one method of achieving this object: that is, to separate entirely its receipts and expenditure from the total receipts and expenditure of the State, and to make of them a separate account, of which only the net balance, profit or loss, will figure in the State accounts. This is the principle of the financial separation of the public services, applied since 1906

to the Belgian State Railway, since 1910-11 to the Prussian State Railway, since 1911 to the French State Railway, and also to the Swiss Postal Services; since 1912 to the Swedish Electricity Works, etc.

Where public services of very great importance are concerned, financial separation is accompanied by the autonomous issue of loans. This rule has been adopted in turn by the State Railways of Russia, Serbia, Sweden, Switzerland, and, in 1911, of France. Thus, the productive debts of the public services, estimated separately, and set off against the corresponding assets, are not in danger of injuring the credit of the State.

There is yet another principle to be considered, the application of which is becoming more and more general, viz. the principle of identical liabilities. Public services are subjected to all the liabilities, of whatever nature, which the law imposes on similar private enterprises. Thus the debentures of the French State Railways "shall be subject to the taxes of every description which affect or may affect the debentures of French companies and other enterprises." "The railways operated by the Administration of State Railways on behalf of Algeria, of the Colonies, the Departments or the Commune, are subject, as regards duties, taxes, and contributions of every kind, to the same system as every class of leased railways."

Thus, impelled by the converging action of

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different factors, the separation between the finances of communities and the finances of their public services, tends to become more and more definite. At the same time, the accountancy of public services tends to assume an industrial and commercial character. Even the tone of their management changes in the same way. As evidence of this, we may quote the following instruction which was addressed by the Austrian Minister of Railways to the staff of this service in 1911:—

“Above all, the employees of the Administration of State Railways must not lose sight of the fact that these railways are a commercial undertaking, and consequently as regards transport matters and all questions arising in the working of this service, the officers must take into account the commercial character of these functions in their relations with interested persons. In this respect care must be taken that requests for information from the public are answered with the greatest rapidity, and that such replies are given, as far as circumstances allow, verbally or by telephone. All correspondence must be conducted on the simplest principles. Moreover, I desire that all employees who come in contact with the public should show themselves as obliging and attentive as possible. Finally, I request earnestly that all heads of departments will do all that lies in their power to make the administration function in a manner befitting the commercial nature of railway traffic.”

While the slow process of the organic transformation of old public services is everywhere proceeding, under the continuous pressure of needs, the new ideas express themselves more and more in guiding principles which establish initial autonomy of public services.

In 1899 Switzerland decided to acquire its railways, and resolved at the same time that the new service should enjoy financial and administrative autonomy.

In 1903 Italy passed a law governing the municipalisation of public services, and this law provided that each service, with the exception of a few unimportant undertakings, "must form a separate administration, distinct from the ordinary administration of the municipality, and have separate accounts and budget" (Art. 2). "The Municipal Council will appoint a Committee from outside its own members, composed of persons possessing technical qualifications and competent to discharge public duties, and such Committee will be attached to each public service" (Art. 5).

The Committee will attend to the forecasts of the Budget, and see to the presentation of the accounts to the Municipal Council. It will provide, within the limits of the credits contained in the Budget and voted by the Council, "for all expenditure, action, and steps necessary for carrying on the service"; it will deliberate upon "the employment, salaries, bonuses, wages, appointment, suspension or dismissal

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of the staff, with the exception of the manager (Art. 6). "The Committee and the technical manager will be responsible for the carrying on of the service" (Art. 7).

In 1911 the Italian Government proposed and carried the establishment of a national monopoly of life assurance, and its explanatory statement contained the following passage:—

"In suggesting that the State should take over the business of life assurance as a public monopoly, we do not propose to establish a new bureaucratic department, but a real independent undertaking having a commercial character, which will not differ from private businesses of the same kind except by being the property of the State instead of shareholders or partners. The fact that the business will belong to the State does not imply that its nature is different from that of private undertakings; the only distinction as far as we are concerned will consist in the fact that the owner is not a private person."

But Italy has gone further, and effected complete separation in the "Autonomous Housing Councils," established by the Luzzatti law of May 31. While these are public institutions they are not under the direct and immediate jurisdiction of any particular public authority.

Besides the municipality, various social bodies, co-operative societies, trade unions, benefit societies,

building societies, charitable organizations, savings banks, etc., contribute to the capital of the undertaking and share in its management.

Private persons and private establishments, especially banks, have the right to lend their assistance and to be represented by a minority of delegates on the boards of management; but in actual practice this right is rarely exercised. Set up in this manner, "these institutions," writes Alessandro Schiavi, "are a connecting link between direct public control and free individual initiative; they borrow from direct public control their character as public institutions, and on the other hand, they possess the flexible independence which secures to them freedom of operations and enables them to profit by the assistance of private initiative in the shape of loans, subsidies, grants of land, etc."

For a great number of years Belgium has put into practice, in a few individual cases, a principle which resembles in many respects the one we have just described, and which is dictated by similar considerations. I refer to the municipal companies. In this wise, the "*Société de Crédit communal*" was founded in 1860, and in 1865 the "*Caisse générale d'épargne et de retraite*"—real separate institutions for banking, saving and pensions. In 1884 the Governor of the National Bank of Belgium foreshadowed the establishment on the same basis of a national Inter-urban Railway Company, and he

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wrote: "Just as that society deals with the matter of municipal loans, so the new company would have the mission of centralising all operations concerning inter-urban railways; it would procure the capital necessary for their construction and operation; it would everywhere introduce the principles of unity and strict economy, and finally, it would reserve to the municipalities, the provinces and the State the profits from its operation.

"The establishment of a company under these conditions, placed under the control of the authorities, dismisses all idea of stock-jobbing or speculation. Although having the form of an industrial corporation, it will not have its special character, that of representing private interests.

"In other words, the company, since the Government itself has made it, will be concerned only for the general interest, meanwhile preserving the advantages of private companies, namely, of acting with more rapidity, with more initiative, of examining projects with complete independence, outside local influences, political or otherwise, and finally, by conforming better to the necessities engendered by circumstances and facts."

In its final form, the local railway company did not completely fulfil this programme, inasmuch as the private capitalist was allowed to assist in drafting its constitution (which is, however, another likeness to the autonomous Italian institution), but the law

provided that at least two-thirds of the shares must be subscribed by the State, the Provinces and the municipalities, a provision which agrees with the regulation governing autonomous institutions, according to which public authorities and social groups must have the majority in their managing boards ; consequently, the object aimed at could not fail to be achieved, and, in fact, was carried out.

In 1901, Hector Denis, encouraged by these examples, proposed to the House of Representatives the establishment of a national association for cheap houses. A joint-stock company was suggested, whose capital would be subscribed by the district or regional organisations of public utility, having for its object the construction, acquisition, adaptation, and sale of cheap houses. These companies would be composed of the municipalities, benevolent institutions, working class housing councils, benefit societies, and workers' assurance societies, which would be granted adequate legal status.

This resolution was not carried. But the idea was launched, and ten years later the Government adopted it, and soon afterwards put it into operation. On the eve of the war, the two Chambers gave their sanction to a "Bill to establish a national company for cheap habitations and dwelling-houses." This company is now in existence, and in the work of reconstruction will be called upon to perform immense services. Its objects are : (1) to stimulate the formation of district

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and regional companies for providing cheap dwelling-houses; (2) to advance funds to these companies. It is a legal entity, and its capital is not fixed. Its shares may be subscribed by the State, the provinces, the district and regional companies, approved in accordance with the law which governs the company.

To give another example of the same order. In the last days of 1913, the two Chambers with practical unanimity passed a law establishing a "national company for the distribution of drinking water." A programme was sketched of singular amplitude.

Of the 2630 municipalities of Belgium, no more than 570 possessed a water supply, and the proposal was nothing less than to provide drinking water for the remaining 2000 municipalities, comprising a population of $4\frac{1}{2}$ millions of inhabitants. The cost of the undertaking could not be estimated, according to post-war standards, at less than 250 to 300 millions of francs.

To accomplish this gigantic task, the law established, in the form of a co-operative society with variable capital, a national company, composed of the State, the provinces and local administrations, which was instructed to undertake the preliminary investigations, and proceed with the necessary work for storing the water and bringing it to the smallest villages.

Under similar conditions, the Belgian municipalities are engaged at the present moment in forming, on the initiative of the town of Liège, a "Mutual Public

Assurance Company against Fire and Explosions." The new undertaking will insure private persons as well as public authorities. It will operate, in conformity with law, in Belgium and the Grand Duchy of Luxembourg, and, in accordance with voluntary agreements, in other European countries. The promoters have already asked for the co-operation of the towns of Strasbourg and Paris. The various States, in addition to other public authorities (provinces, municipalities, etc.), are eligible for membership of the company.

The same spirit was in evidence at the Congress of the Rhone Afforestation Committee, which met at Grenoble in France in May 1919. The Congress asked for the establishment of an authority of public utility, having the form of a private company, administered by representatives of the State, the Departments, the Municipalities, and Chambers of Commerce in the districts concerned, for the carrying out of works and improvement.

Such are some of the forms under which the principle of the autonomy of public service is being realised. We shall meet with others in a moment, when we come to consider this principle in conjunction with others. But there is a final example which we must describe in this place, viz. the composite undertaking. This is a joint-stock company, with a public authority or group of such authorities as shareholders, and most often as chief shareholders. There are

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numerous bodies of this kind in Germany, which carry on the electricity service, and in this country a petrol monopoly on this basis was about to be established on the eve of the war. This was the character given to the cereal monopoly, established in December 1914, and throughout the war many local authorities exercised considerable economic influence in this sphere. Sweden adopted this system in granting several mining concessions. In Switzerland, 94% of the capital—20 millions of francs—of the Bernese power stations, a company which provides electricity for the whole of the Canton, is in the hands of the Canton and its bank.

In the Canton of Vaud, almost all the capital of the Lake of Joux Power Company has been subscribed by the consuming municipalities. The great majority of the shares of the United Swiss Salt Company are owned by the Swiss Cantons. In 1914 England, being desirous of assuring a supply of oil from the Persian wells for the use of her fleet, acquired by a subscription of 50 millions of francs the majority of the shares of the Anglo-Persian Oil Company. In 1910 the municipality of Vienna, in order to check the rising price of meat, took part, in the capacity of chief shareholder, in the establishment of a large butcher's shop. In 1911 the municipality of Budapesth took the initiative in the starting of a wholesale provision stores having a capital of 6 millions of crowns, and subscribed 60% of the shares.

(2) *The control and collaboration of the Consumers.*

The consumers are deprived of any control or influence over private enterprise. This is not the case with public enterprise.

In the first place, they can affect public enterprise by means of the Press.

Capitalist companies do not fear the influence of the Press, first, because they depend on their shareholders and not on public opinion; and secondly, because they are not unacquainted with the art of manipulating in their favour nearly the whole of the Press.

On the other hand, public administrations are very sensitive to agitations directed against themselves, and as far as they are concerned, or at least the persons who manage the services, the Press is free. There is no secret service fund to defend State enterprises.

There is a second means of public pressure upon public enterprises, viz. the control over its representatives, municipal councillors, deputies and senators. But this control is intermittent, remote and not always intelligent.

The period we live in is one of organisation, and it is obvious that the true method of defending the interests of the public so far as the public services are concerned, is organisation on the part of the public. In fact, the public does organise itself, more and more, for administrative purposes. We are familiar with unions for education, unions of fathers of families

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societies of the friends of the arts, for protection of sites, and, among many others, the league for the rights of man as citizen. In the United States the municipal administration of a number of towns have been confronted with "bureaux" for municipal research," started on the initiative of a few citizens, which have displayed notable activity in introducing rational methods of administration and management. In the matter of the control of public services we may mention, as regards France, the Telephone Subscribers' Association, the French Touring Club, etc. These bodies appeal to public opinion and to public authorities, protest against abuses, and organise Press campaigns. And they do more—they promote the practical study of various problems.

"The Association of Telephone Subscribers," writes Marcel Sembat, "prosecute general studies respecting the working of the service, the technical value of the French telephonic apparatus and the financial bases of the subscription. It has brought over at its own expense experts from the United States, in order to study the workings of our system. It has examined the systems of central batteries and drawn up plans for its complete remodelling.

"It is very interesting to note that, in the course of its investigations, the Association has been brought to link up the interests of the subscriber with that of the girl operator. This is a fact of great significance. At the beginning, the Association was inclined to be

hostile to the staff, and I know of nothing more curious nor of better augury than the conversion of this movement, entirely due to a more accurate knowledge of the facts.

"In the degree that it became more clearly acquainted with the administrative machinery, and the actual details, the Association discovered that the girl employee could only render satisfactory service if she possessed the requisite physical qualities, and if she were not obliged to attend to a number of subscribers which was too large for her, and if her hours of intense work were interrupted by proper periods of rest. Thus, we find the consumer is led by his own personal interest to regulate the conditions of service of the employees. If the administration would grant him the right of entry into its committees and councils, a new and useful element would assist in the operation of this public service."

We see how one proceeds quite naturally from criticism to investigation, from external to internal control, that is, to collaboration.

In fact, the principle of the participation of consumers in management gains ground every day.

In 1907 a public tramway service in the Department of Côte-d'Or was established. Into its consultative committee of nine persons, there were invited two representatives of the business world, the Chairman of the Dijon Chamber of Commerce, and an engineer or contractor nominated by the Prefect.

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In 1909 a public fire assurance office was set up in the same department, and it was decided that in the case of accidents the assessment should be made by a local committee composed of the Mayor, the Town Clerk, three members of the Municipal Council, and the two insured persons paying the largest premiums.

In 1911, immediately after the purchase of the railway system of the west, the State Railway administration was reorganised and "seven members selected by the Chambers of Commerce and the Agricultural Associations served by the railway" were admitted into the Railway Council.

In 1912 the Swiss Confederation created an assurance monopoly, and decided "that the national assurance fund should be administered by the assured persons themselves."

Clause 43 of the law reads as follows: "The Board of Management will comprise forty members, viz. twelve representatives from the compulsory contributors, sixteen representatives from the heads of the private concerns which employ the compulsory contributors, four representatives of voluntary contributors, eight representatives of the Confederation.

"The members of the Board of Management will be appointed for a period of six years by the Federal Council, on the advice of the professional organisations which cover a considerable portion of the country."

"Clause 43," wrote the *Lausanne Review*, a radical journal of the Vaud Canton, "introduces a new principle of organisation into public administration. The large measure of influence conceded to interested circles is an eminently democratic solution of the administrative question ; it brings a new and important constitutional element into the formation of a State administration. The organisation contemplated will be a rampart against bureaucratic aberrations and against partiality or exclusiveness in the administration of the insurance fund. And we may be allowed to hope that the same spirit will preside over the reform of other federal administrations. The administrative organisation outlined in the new law points us to a new way, and meets the needs for the internal re-organisation of other administrative services."

We find also in Germany a large measure of collaboration by contributors in the management of insurance funds. In Saxony the delegates of the contributors have a majority of two-thirds on the management boards of the two sections of the national fire assurance funds.

"These provisions of the Saxony law regarding the representation of the contributors," writes Hugo Lindemann, "are essentially due to the initiative of Parliament, which paid heed to the numerous complaints of the insured persons as to the bureaucratic methods of the National Assurance Office, and agreed with them that it was necessary to introduce

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into the administration of the establishment a larger share of the methods in force in the business world. Besides, it should be observed that in all cases where representatives of insured persons exists, it acts as a valuable check to that bureaucratic and petrifying spirit which creeps so easily into all administrations in charge of officials. It exercises a wholesome influence on the organisation and technical side of the undertaking, and is of capital importance for the economic interests of the insured persons, especially in all that relates to the graduation of risks and assessments."

In the public registry offices, the bureaucratic system has given place to the *système paritaire*, which is characterised by the fact that the management is entrusted to the persons concerned, employers and workers, and it is interesting to note that public registration has progressed with the *système paritaire*. Municipal registration in France, which was instituted by the law of March 14, 1904, remained unprogressive until the time when, in the midst of the war, a great endeavour was made to put it on the basis of the *système paritaire*. Then it suddenly entered on a marvellous development. At the same moment, and in connection with municipal registration, departmental registration was organised on the same lines, and a similar success was achieved in this case.

The collaboration of consumers performs an equally essential function in the autonomous associations of

consumers established in Italy by a décret of August 2, 1916. These bodies are highly interesting and immensely important. On June 30, 1917, there were already in Italy sixty-eight recognised associations, with a capital of nearly 9,000,000 francs at their command, and affecting 535 municipalities, peopled by 8,200,000 inhabitants. In October 1917 a "National Federation of Consumers" was formed from amongst them and the municipal provision services. In November 1917 the State established, with their assistance, the "National Organisation of Consumers," and in May 1918 it adopted various measures to enable them to obtain, without difficulty, the capital they needed to extend their operations.

What is their precise object? It is defined in the model rules suggested to the local administrations:—

Art. 2.—"The Association proposes to exercise a regulative influence on the market, to check the abuses of speculation, and particularly to grant effective assistance to the less-favoured classes in their acquisition of prime necessities."

Art. 3.—"To achieve this object, the Association will meet the various economic needs of the people by extending moral and material support to the development and co-ordination of co-operative societies: (a) by organising a wholesale provision service on the lines of shops and dépôts to assure the delivery of commodities at prices as low as possible;

(b) by opening to the public, in cases where local co-operatives break down, stores for the distribution of articles of prime necessity."

Art. 4.—"In order to make the work of defending the consumers' interests as effective as possible in practice, the Autonomous Association will enter into relations with all organisations, local, national and international, which have similar objects. The Association may be communal or intercommunal."

Like the Autonomous Association for cheap houses, its nature is that of a public institution, while it has the form of a private company. In addition to the commune or communes concerned, it may include as members the co-operative societies, benevolent institutions and the various social groups within its sphere of activity, which may subscribe to its working capital under the conditions laid down in the rules. These members will elect the board of management in a general meeting, according to a method of voting freely adopted, and the board will appoint, in its turn, the manager. Thus the autonomous management resembles a private enterprise, with the reservation that it must submit the accounts to a general meeting which represents the common interests of the consumers as a whole.

The National Association of Consumers, an autonomous body invested with a proper legal personality, "includes, as obligatory members, the general Commissariat for provisions and supplies,

and the autonomous distributive societies, and, as optional members, distributive societies having a hundred members at least ; federations of co-operative societies representing at least ten societies ; municipal food services and similar bodies. Its object is: (1) to provide directly for the acquisition and the production of articles of prime necessity, which are in great demand and not monopolised by the State, and to distribute them amongst its members ; (2) to co-ordinate and regulate the activities of its members as regards the acquisition and distribution of goods, by deciding each party's sphere of influence and facilitating the exchange of goods which they purchase directly ; (3) to promote the establishment of new supply associations in districts which need them ; (4) to exercise a regulative influence on the prices of articles mentioned hereunder."

In this way there is set up, with the assistance of all this machinery, a great national food service, working in close and permanent co-operation with the associations of consumers.

In many cases, without a concerted plan, under the pressure of needs only, and thanks to the large measure of autonomy they possessed, German towns have developed organisations like the autonomous Italian association.

The "composite enterprise" which has been very popular in Germany for a number of years, naturally

fell into line with the autonomous associations when the private companies, whose co-operation was solicited by the municipalities, happened to be social groups. This was the case when, in 1912, the town of Mannheim established a central milk supply, in which the following organisations participated: the Municipality of Mannheim, the Trades Council, various organisations of employees and officials, the Co-operative Stores, and the Union of Karlsruhe Agricultural Co-operative Societies.

In France, too, under the spur of necessity, similar bodies were set up in various districts. Thus, the town of La Rochelle, in order to cope with the rising prices brought about by the war, established "a special Municipal Provisions Committee, composed of municipal councillors, officials, merchants and presidents of co-operative stores. This association bought and sold on its own authority, and without being subject to the numerous administrative formalities which would have interfered seriously with success."

Such examples as those of La Rochelle, of Beauvais, and of several other towns, are interesting. They indicate the need of the autonomous organisation, and of the collaboration of the consumer.

But it will not be in this way—within the limits of the law and by official initiative—that the problems of feeding the French urban populations, which become more pressing every day, can be solved. The

appropriate authorities must be regularly and legally established, as well as provided with the funds which are needed.

As a step in this direction Albert Thomas introduced a bill in the Chamber, on August 5, 1918, having for its object the setting up of public food departments. The idea was that they should be set up on the lines of the public housing departments, established under the law of December 25, 1912. Their purpose would be: (1) to examine the state of the market for foodstuffs and hygienic drinks, and to notify the administrative authority of any dealers who were making abnormal profits; (2) to promote the establishment of co-operative food stores, where necessary, and to aid the development of those already existing; (3) to subsidise these co-operative societies according to the resources at their command; (4) to give their advice during the consideration of a request for a loan by any co-operative societies under the law of May 7, 1917; (5) to lend their assistance to public authorities in the direct distribution of certain commodities. "They may, in addition, after receiving the approval of the General Council, the Municipal Council, and the Committee of the Associated Communes, as the case may be, start and manage shops, either local or departmental, wholesale or retail."

These bodies were to be administered by a Council comprising nine, twelve, fifteen, or eighteen members

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and appointed as follows: one-third by the public authority concerned, one-third by the prefect, who must select, besides officials, persons specially qualified by their social or professional training, and the other third by the co-operative stores operating in the district.

This was an admirable bill, and it seemed likely to be speedily adopted in the circumstances that existed—the extreme urgency of the need, the modern principles, supported by many precedents; the example set by Italy during more than two years, which was wonderfully convincing. Unfortunately, more than a year after its introduction, Parliament expired before the Chamber had found time to begin to discuss the measure.

The French Public Department, which this bill proposed to create, as also the Italian Autonomous Association, included amongst other objects that of promoting the formation of co-operative societies, where none existed, and of assisting the development of those already in existence.

This interesting proposal is part of the logic of events. There is an ever-increasing tendency to establish autonomous authorities, and to associate the consumers in the management, thus providing them with a co-operative basis.

This seems to suggest that, in the spheres of activity of the co-operative societies, the latter should be recognised as being of the same kind, and having

a similar purpose, and consequently they should be encouraged and developed. Here again practice has preceded legal texts and theory. In Switzerland, Belgium, Italy, Germany and even France, public authorities, at least in certain critical circumstances, have recognised in co-operation a force to be used for public ends. We may recall the agreement made between the Municipality of Brescia and the co-operative stores for the sale of frozen meat. In Germany similar arrangements were made by a number of municipalities during the war.

In France, during the war period, the State, the City of Paris, the Seine Department, and a number of Communes of the Department entered into a partnership with the co-operative organisation for the sale by it of considerable quantities of frozen meat to the population, and this experiment has given remarkable results, both as regards the distribution of a food that was unjustly decried, and as regards the stabilising of the price.

In Belgium—as we are told by the *Moniteur des Intérêts matériels*—during the war the co-operative form was the one most often chosen when groups of general interest were organised, and the result gave every satisfaction. At this moment, a “Federation of Co-operative Societies for Reparation” is carrying on, under the auspices of the State, the national work of reconstructing the devastated districts. Its first business is to encourage the organisation of persons

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who have suffered loss, according to districts, towns, or communes, on co-operative lines. As soon as a co-operative group is formed, and has supplied vouchers, the Federation has power to pay over the necessary sums to the victims for the commencement and continuation of the works, but through the medium and under the control of the co-operative group.

More than ten years ago, in Switzerland, on the first sign of the upward movement in prices which started in 1906, a certain number of municipalities asked the co-operative societies to guarantee, with their assistance, the public supply of various articles of prime necessity, and this initiative was rewarded with signal success.

This form of collaboration is also practised in Switzerland, concurrently with municipal enterprise, to check the rise in rents. The public authorities grant financial assistance to the co-operative housing associations, especially in the shape of mortgages, on very satisfactory terms. In return for this help, the co-operative bodies must assume certain public obligations, such as limitation of dividends, prohibition of all speculation, removal of all possibility of individual profit in the event of liquidation, fixing the conditions of redemption, etc., and usually also the admission of the public authorities to a share in the management.

The administration of the Swiss railway com-

panies reserves to itself the right to appoint one member of the Managing Board and one member of the Committee of Control of each of the co-operative housing associations which it finances. The Berne Building Co-operative Society provides in its rules that if the municipal authorities should render it financial assistance, a certain number of representatives on the Managing Board and the Committee of Control would be allowed them. According to a regulation of the town of Winterthur, the municipality must be allowed a suitable number of representatives on the committee of the co-operative societies, and upon their board of control. The Municipality of Coire is represented by two out of seven members who form the Committee of the Co-operative Society, and by one member out of three upon the Board of Control.

Upon these lines we find gradually organised the collaboration of public authorities in the management of co-operative societies, as a counterpart to the collaboration of consumers in the management of public services. This is one innovation, amongst many, as, under the pressure of vital needs, the old machinery is everywhere breaking down.

A short time ago it was the consumers who obtained entry into the managing boards of municipal and State services. Now it is the State or the municipality which enters the board-room of co-operative societies.

(3) *The Control and Collaboration of the Staff.*

A corresponding development, but less marked and less advanced, tends to secure to the workers employed in the public services an increasing measure of influence.

In the first place—at least in democratic countries—the workers' unions are recognised, consulted and negotiated with.

Afterwards consultative bodies are set up, to which the staff is invited to send delegates, and where all questions relating to the conditions of labour must be examined and discussed. Such committees are in existence in most of the State services and in a certain number of municipal services.

This compulsory discussion with the workers interested upon all questions which relate to their working lives (wages, duration of labour, workshop regulations, insurance, etc.) marks the advent of a new principle. When the workers and employees of public services are requested to give their opinion, not only on questions which affect them individually but upon matters which concern the undertaking itself, its working, the technical improvements which are possible and necessary, the quantity and price of products or services, this represents the victory of another and more important principle. As yet there are few cases of the adoption of this principle. We may mention the Swiss State Railways, whose managing board has included from the beginning the General

Secretary of the Railwaymen's Union, although this is not obligatory ; the departmental tramways of the Côte-d'Or, whose managing board, composed of nine members, must include two persons chosen by the staff ; the French State Railway lines, whose council, composed of twenty-one members, includes four persons "chosen by the Minister from the delegates elected to the various railway committees ;" the Italian State Railways, whose servants elect delegates to the General Traffic Board, a consultative body for traffic questions.

These are the first very modest applications of this principle, not less essential for assuring to the management the extremely valuable assistance of working-class experience, than for elevating the workers from the rank of passive employees to that of partners and voluntary collaborators.

(4) *The Social Administration.*

A movement of a very distinct kind is leading us away from the form of bureaucratic administration, which is justly condemned, to various forms of a new type of administration, which we will call the social administration.

Among the examples presented by actual experience, I will mention that of the public housing authorities, established in France by the law of December 25, 1912. The spirit and form of the new institution have been happily described by M. P. Grunebaum-Ballin, President of the Council of Pre-

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fects of the Seine. He writes : " This new legislation, in which Republicans of all shades have collaborated, is a splendid piece of machinery, if one knows how to use it properly. In boldness, it goes beyond the already obsolete theories of State or Municipal Socialism, and works out ideas which are thoroughly Syndicalist.

" Is this an exaggeration? Read the clauses of the Act and reflect on all that they contain.

" Public departments for cheap dwellings may be set up, whose object shall be to build and manage healthy houses, the establishment of garden cities or workmen's suburbs.

" These departments will be managed by a Board of Administration composed of eighteen members, viz. six members appointed by the Prefect, from amongst private individuals qualified by reason of their knowledge of hygiene, the building and the management of popular dwellings; six members appointed, as the case may be, by the Municipal Council, by the joint committee of a number of municipalities, or by the General Council; six members elected by the following organisations existing in the district in which the Department operates: one member by the Association for cheap houses, one member by approved building societies, one member by the Office of Benefit Societies, one member by the Departmental Committee of Hygiene, one member by the Committee of

Savings Bank Managers, one member by the Trades Council.

“Composed in this way, the Board of Management may co-opt two tenants of the houses under its care.

“Women are eligible for membership of the Managing Board.

“Thus an immense public service, entirely new, is established for popular housing, and all that pertains to it. Economic interests, which up to now have been considered strictly private, have become public interests. But the working of this new and important service is not entrusted to the old politico-administrative authority. The omnipotence of the politicians and bureaucrats who have hitherto been undisputed masters of the city as well as of the State, is abolished. Of course, the political aspect is not excluded, but henceforth it will be accompanied by the technical side; that is to say, the expert, the producer and, moreover, the consumer.

“By the side of municipal councillors, elected by their colleagues; by the side of delegates of the Prefect, representing the central authority (delegates who must themselves be qualified men), in a word, by the side of the politicians, are the technical men, the experts in cheap housing, artists and savants, architects and hygienists. There are the representatives of the benefit societies and savings banks, which will to-morrow act as bankers for popular housing, and furnish the loans which will be required.

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There are the producers—strictly speaking, the professionals—in the person of the delegate of the Trades Council; and, finally, as the last comers and not the least unexpected, there are the representatives of the tenants, that is to say, the consumers, to complete the great trilogy of the new social era, the triptych of full-blown Syndicalism, in which the producers, the directors and the consumers each have their share of sovereignty.

“This is not all. In the same clause which sanctions so many new ideas, the legislators admit women to a share in the popular power for the first time.”

These are the leading ideas which at the present day, in an ever-widening degree, guide all those who watch the development of public service, and especially Syndicalists and Socialists.

In an important pamphlet entitled, *Electric Power—a Worker's Solution*, which was published in 1917, the Secretary of the Confederation Générale, Jouhaux, and the Secretary of Action of the Workers' Organisations, Henry Prete, recommended the establishment of a national electricity service, and developed the following views on this subject:—

“When State industries are criticised, it is necessary to repeat that it is not the principle of the thing that is called into question, but the form which it takes. The usual type of State business—officialism, with its principles of irresponsibility; advancement according to cast-iron regulations, which take no account of

ability ; the idea of the business being, not to obtain the best results, but to serve as a financial auxiliary to an overweighted budget, and sheltered by a monopoly which guarantees the bureaucracy against competition—this cannot lead to any other than a deplorable result. In these conditions there is no scope for the exercise of intelligence ; initiative is stifled, deadening routine does its work, and the consumer is fleeced. The workers tend to become a class apart, concerned only with their private interests, and ignorant of the public welfare. Routine, corporate interests and officialism form the cycle in which the State industry revolves, and opposes it to the public interest. Instead of being a regulative influence and setting an example to stimulate private initiative, State enterprise thus becomes a hindrance to social progress. These are the lamentable fruits of bureaucracy.

“ We would answer the critics of State action by putting forward a new plan, which is entirely our own.

“ Entrust the management of national property to the persons most nearly concerned—producers and consumers combined. And for this purpose set up authorities of a civil character, which enjoy the largest measure of technical and financial autonomy. The producers are the experts and employees who contribute their knowledge and mental labour, and the workers who contribute their experience and manual labour. The consumers in this case are the industries

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which use electric power. And just as we would protect the national wealth from capitalist rapacity, so we must protect it also from private greed. We must place it not merely under State control, but under the more direct and effective control of the general interests of those concerned, by entrusting to the bodies which are the expression of these interests, the business of selecting their own representatives to sit on the boards of management. These bodies would be the associations of the engineers, and the various trade unions of the workers, the elected councils for the municipalities and the departments, and the Chambers of Commerce for the industries.

“Associated and balanced in this fashion, organised labour and organised consumption would be able to assure production under the best conditions for producers and the best terms for consumers, to the great benefit of the general interest of the nation.

“On this plan, the method of exploitation would be the most up-to-date, and the experts would be responsible for it; labour would have a share in the management. Improvements in machinery and reforms in methods of working as a result of experience, would supplement the discoveries of science. Adopted with the assent of the workers organised in their unions, the regulations would be carried out, and the improvements put into operation.

“This modern organisation of industry, the fruit of the co-operation of every department and of every

kind of productive power, would engender a maximum supply with a minimum of effort, and the lowest selling price."

These ideas are also advocated by the General Secretary of the Railwaymen's Union, Marcel Bidégaray, in his booklet on the *Nationalisation of Railways*, and they are developed by Albert Thomas in the explanatory statement to his proposal for the general nationalisation of railways. He endeavoured to give them legal form in his "Bill to secure financial and industrial autonomy to State establishments."

These principles again are held by the German extra-Parliamentary Committee on Socialisation. In its report on the socialisation of coal-mines, this committee wrote as follows, with respect to the present working of the Prussian State Mines: "The decisions of the Committee, while showing the advantages of the exploitation of the mines by the State, disclosed such startling examples of the inadequacy of this sluggish State authority, that even within the present limits of the enterprise, there could be no doubt as to the necessity of a complete transformation. Valuable officials overburdened with trivial work; untimely changes of occupation; salaries very low in themselves and absolutely ridiculous if compared with those of private industry; inordinate fear of responsibility in financial matters; numerous relations of subordination, extending so far as dependence on Parliament, negotiations lasting for

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years respecting questions which, in private industry, are settled in a few hours, control upon control, instead of confidence in personal action ; such are the characteristics of this organisation, which offers an adequate field of action to the most capable and disinterested people only at the cost of the greatest sacrifices."

In opposition to this system, the majority of the Committee—composed of all the members except two—proposes, not the maintenance of private enterprise, with more or less drastic reforms, as is done by the minority, but collective management on new lines. The whole of the German coal industry shall form a "Coal Mining Community," invested with distinct legal status. At the head of the "community" there shall be "a Coal Mining Council" composed of a hundred members, which will meet, say, every three months. "Twenty-five of these members will be elected by the Managing Boards of the undertakings, twenty-five by the workmen, twenty-five by the consumers, and the remaining twenty-five will be appointed by the Empire. Among the representatives of the Empire, ten shall be appointed by Parliament, and the others by the President of the Council of Ministers, personally, and not by one of the Ministers. And it may here be observed that one-third at the most of the representatives of the Empire is to be composed of officials, the others to be selected from various spheres of scientific, social

and public life. Industrial purchasers, municipal establishments, associations of consumers and similar bodies are to be considered 'consumers.' The Coal Mining Council will appoint for a period of five years an executive committee, composed of five members, one of whom will be nominated manager by the committee. This selection must be confirmed by the President of the Council of Ministers."

Precisely the same principles guide the Socialisation Committee of the Austrian National Assembly. In his examination of the means for realising Socialism, a real explanatory statement in support of a programme of immediate action, the President of the Committee, Otto Bauer, writes as follows: "Who then will manage socialised industry? The Government? No! If the Government managed every one of the industries, it would become too powerful for the people and its national representatives. Such an increase in governmental power would prove a danger to democracy. Moreover, the Government would manage socialised industry badly, for nobody manages industrial undertakings worse than the State. Thus we Socialists have never advocated the nationalisation of industry, but its socialisation. But who will direct industry, when it is socialised, if not the Government? At present, a great industrial enterprise is managed by a Board of Directors elected by the shareholders. In the future, too, each branch of socialised industry will be managed by a Board of Directors, but this

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Board of Directors will be elected, not by the capitalists, but by the representatives of the different social groups, whose needs will be satisfied by the branch of socialised industry. Who are they who have an interest in the management of the socialised industry? They are: (1) the workers, employees, and officials who are engaged in it; (2) the consumers who require products; (3) the State as representative of the community as a whole. It follows that the Board of Directors of each branch of socialised industry will be formed somewhat on the following lines: one-third of the seats will be allotted to the trade unions of the workmen and the organisations of the employees engaged in the branch of industry; one-third will be allocated to the representatives of the consumers, in such a manner, that, for example, the consumers' representatives on the Coal Mining Boards would be elected partly by the associations of domestic consumers of coal, and partly by the organisations of industrial users of coal. Finally, the remaining third of the seats will fall to the representatives of the State, who will be appointed partly by the Ministry of Finance, so that the interests of the Treasury may be represented, while a certain proportion of them will be appointed by the National Assembly, so that the general interests of public economy may also be represented. The representatives of the workmen and employees, on the one hand, and those of the consumers on the other, will be the protagonists of

opposing interests, for the one wants high wages and the other low prices. The representatives of the State will mediate and arbitrate between the two sections."

Such is the conception of public management which to-day appeals to the men summoned by destiny to the performance of great tasks, and which marks the culmination of the movement whose stages we have followed.

CHAPTER XXI

THE WAR AND ECONOMIC ORGANISATION

THE war has given an impetus of unparelled force to the Collectivist organisation of society.

"The German intellectuals," wrote M. William Martin in the *Journal de Genève* on June 11, 1918, "asserted, at the outbreak of war, in an outburst of ludicrous pride, that the task of Germany was to organise the world. In this she has succeeded beyond her ambition and interest. In the course of the war, which she unchained, the principle of organisation has invaded every branch of human activity; individualism gradually disappears from international as well as personal relations, every department of social life has been regulated, and we are already living, without being aware of it, in a world whose features bear no resemblance to those of the preceding period. The competition amongst nations, the anarchy and economic disorder of 1914 and before, the free development of unrestrained instincts, the liberty in every form which was only limited by the liberty of others, will never be resuscitated. Their death-knell has sounded!"

The article from which these lines are taken was called "The Revictualling of Europe." Let us recall a few facts. In 1916 the Allies set up in London the International Cereals Committee—the Wheat Executive. In 1917 they resolved "to control the entire world production of foodstuffs and articles of prime necessity, and to decide the share of each one, not only in relation to his needs, but in view of the existing reserves, in order to distribute the existing tonnage on the basis obtained." In June 1918 "this task was accomplished," and Mr. William Martin was able to write : "The Allies control about 60% of all the needs of humanity ; statistical material exists for all articles directly used in the war. Its scope is gradually extending, and we may hope that it will comprehend the whole domain of social life by the month of August or September next. The Allies have decided to establish in London an Inter-allied Revictualling Ministry. It will be the first international organisation of this nature, and without doubt will mark an important date in economic history. Moreover, as a matter of fact, the Ministry exists already, and is installed in Waterloo Place. It is there that the Wheat Committee, the Meat and Fats Committee, and the powerful Committee for Maritime Transport meet, and the statistics are prepared which are to form the basis of Europe's revictualling, and where all decisions are taken respecting freight, common purchases, distribution of

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material, where the common economic life of the globe is renewed and reflected, where, in a word, the existence of millions of human beings, who depend on labour and imports, is prepared."

It is in connection with these international organizations that national distributive authorities have been set up in the different countries, such as the French "associations." "An association, in the modern sense of the word," wrote M. J. P. Belin in July 1918, "is a group originally including all the members of a corporation, created on the initiative of the State with which it is closely connected by an agreement, and which undertakes, thanks to this assistance, to furnish all its members with the prime necessities they need. The prime materials are bought by the State, which decides the quantities it is possible to import and the point of delivery, in accordance with the partnership. No importation may be made outside the group. It may be stipulated that the Minister of Commerce shall periodically fix, on the proposition of the group, the basis of the prices at which the products will be sold by the group and its members, and even the basis of the selling prices of the industrial products manufactured with the aid of these prime materials. An instance of this is the decree of June 1, 1918, which fixed the selling prices of oil seeds by the French oil group to the French oil manufacturers; by these manufacturers to the middlemen; by the middlemen or warehouse-

men to the retailers, and by the retailer to the consumer."

Such is the system under which the nations have lived during the war. Such is the regime which saved them from worse disasters. After the re-establishment of peace it came to an end. But its disappearance was immediately followed by an unprecedented crisis in the cost of living. Why do they not profit from these experiences?

As a matter of fact, these experiences have effected a profound transformation in public opinion. The signs of this may easily be observed. I give two, which I take from the poles of economic life, from the small traders and the high officials of one of the most important industries in the world. The following communications appeared in the Paris newspapers of July 5, 1919: "The French Dairy trade yesterday held in the Rue de Lanery an important meeting, presided over by M. Rouillon. The cost of living was the chief subject on the agenda. The persons present expressed a wish to share, like the co-operative societies and the barracks, in the distribution of municipal goods at prices fixed by the administration, and pledged themselves in no case to make a profit of more than 20% on all the goods they retailed, offering their books and invoices for the inspection of the administration."

They also decided to send a letter to M. Clemenceau, setting out the difficulties anticipated in the coming

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winter as regards butter, eggs and milk, and pointing out the means of countering them ; importation by the State alone (to avoid outbidding and speculation), of butter from Argentine, eggs from Morocco, condensed milk from America in the quantities required.

Here we have the small shopkeepers, who were recently such strong individualists, asking to be allowed to sell at fixed prices goods supplied by the administration. Here they are offering their books for the inspection of the administration. Here they are asking the State "to avoid outbidding and speculation" to monopolise all purchases from abroad.

The other example relates to the great cotton industry. *La Réforme Economique* published on July 11, 1919, under the heading of the Cotton Conference, the following note : "The proposal has already been mooted here to hold a Cotton Conference in the month of October at New Orleans. The American Committee which came to Europe to enlist support has already visited Great Britain and Belgium. On arriving in France, it was officially received by the Minister of Commerce, who promised not only to induce French merchants to attend the Conference, but to be represented there himself.

"It is the intention of the Conference to fix an international quotation for cotton before the annual sowings, and thus put down speculations based on the day-to-day estimates of the harvest to come.

This price would be fixed according to the probable demand for cotton throughout the world. It would cover in advance the remuneration of the planters. In case of bad harvest cotton would be rationed ; in case of good harvest the surplus would be carried over until the next season.

“ The law of supply and demand would no longer be operative, and would be replaced by a reasonable agreement among all persons interested in the matter.”

CHAPTER XXII

NEARING THE GOAL

TO-DAY, the March towards Socialism hastens. The March towards Socialism hastens, because the war has come—the World War, which may be described as the most terrific event since the Flood.¹

The March towards Socialism hastens, because the war has been a wonderful example of collective action, training in each country all men to act as one, and in each camp, all countries to act as one ; because it has organised, on a collective basis, with an incomparable command of resources, the production of all the weapons of war, and the feeding of millions of men in the line of battle, as well as the feeding of the peoples, whose labour sustained the war, and whose will to endure was the first condition of its continuation.

The March towards Socialism hastens because to-day the peoples know to what a level the organisation of the economic life of States, and even of the whole world, can be raised, in the interests of a great cause, and because they are not prepared to admit

¹ Paul Otlet, *The End of the War*.

that what was rendered possible for the work of death cannot be done for the work of life.

The March towards Socialism hastens, because, in the dark horror of war, Socialism appeared to the peoples as the hope of Peace; because it represents the great international force of Justice in a world torn by unbridled rapacities, and by the rivalries and competition of national capitalists; because it holds out the promise of the fraternal co-operation of peoples, of ultimate justice and lasting concord, as against the Treaty of Peace, which violates the principles of right, and contains the seeds of future wars, and the woeful inadequacies of the Covenant of the League of Nations.

But, above all, the March towards Socialism hastens because the war, and the revolutions it has engendered, have either swept to power or considerably strengthened the organised proletariat, which is strongly imbued with the Socialist ideal.

How may we apprehend most readily the way in which the Socialist programme will be carried out?

Four fundamental tasks of an economic nature seem to present themselves for immediate attention.

(1) *Socialisation.*

The first is the socialisation of those branches of production and exchange which have attained a high degree of concentration (transports, mines, power, heavy metals, various smelting industries, credit, assurance, etc.). The undertakings which compose

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these industries exist almost universally as joint-stock companies, in such wise that their socialisation would simply result in the substitution of one collective administration for another. The technical difficulties of the operation would, in this case, be reduced to a very low minimum. On the other hand these enterprises, united or amalgamated, are, as we have seen, most often in possession of a monopoly, which opposes its interests, not only to those of the workers whom it employs, but still more to those of the mass of the consumers with whom it deals. And the effect of socialisation is to substitute for private monopoly, operated for the profit of a few, a public or social monopoly, operated for the benefit of all. Therefore, the work of socialisation will encounter here the minimum of technical difficulties, and at the same time will receive the maximum of social encouragement.

Let there be no mistake—this is a task of wide compass. For the big capitalist monopolies occupy a vast field in the domain of political economy. It is an economic work of immense scope, for they hold the key positions; they command and “control” the whole field of economic life. It is a popular task, and one which is realisable at once. It can be carried out with the co-operation of the immense majority of the citizens, as soon as a programme has been clearly defined. Furthermore, this work has already begun. We have seen it. But it is impera-

tive that we prosecute it energetically, systematically and thoroughly.

The monopolists will try hard to raise the bogie of "Statism," but vainly. The facts are there. The development of public enterprise is there. Monopolies, exploited to-day by the capitalist companies, must be transferred, not to the bureaucratic machinery of the old State power, but to autonomous and pliant bodies, harmoniously representative of all the admitted social interests of the new Industrial State.

Let us take, for example, the case of superphosphates. In France, their production is monopolised by a trust, which we have seen operating, and which levies an annual tribute of twenty to thirty millions on national agriculture. The factories of the trust will be transferred to an authority whose managing board will include representatives of the agricultural workers, appointed by the trade unions, and agricultural co-operative societies, and representatives of the workers and of the State. The prices will be fixed at as low a level as will allow of the payment of a normal wage to the workers.

Let us take the more complex and especially interesting case of sugar-refining. The management of the factories will be wrested from the syndicate, whose "brigandage" has been denounced by M. Celestin Jonnart, and entrusted to an authority administered by the representatives of the beet

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growers—the producers of the original matter, the raw material; the makers of raw sugar—the semi-finished product—the workers, the consumer, and the State (the consumers' representatives being elected, for example, by the central authorities of the consumer's co-operatives). M. Celestin Jonnart has called the refining syndicate “a syndicate of strangulation.” The new regime will deliver the beet-growers from strangulation at the base, and the consumers from strangulation at the top. The selling-price of sugar, wholesale and retail, will be fixed according to costs independently of all intervention of speculators. The game of bleeding the public and exploiting the worker indulged in by the trust magnates and speculators will receive an abrupt check, and the payment of scandalous profits to a handful of parasites will definitely cease—and it is precisely the elimination of these parasitical privileges that will enable us to solve the apparent contradiction of the payment of the highest wage to the producer, and the lowest selling-price to the consumer.

But immediate socialisation must not be limited to monopolist enterprises administered by joint-stock companies, however important they may be from an economic standpoint, it must extend to the great tracts of agricultural land, and to urban land. The continuous rise in rents can only be checked by the collective appropriation of the land. Socialisation

must also extend to the international traffic in articles and materials of prime necessity.

(2) *The Social Organisation of Production.*

In order to safeguard their sources of gain without labour, the capitalists say to the peasant, "the Socialist wants to take away your land." It is most important that the peasant should understand that this is not true. Paul Lafargue stated as long ago as 1882, in his report to the Congress of Roanne on the Agricultural Programme of the French Workers' Party, and the statement has been repeated a thousand times since: "The small field is the peasants' tool, just as the plane is the carpenters' and the scalpel that of the surgeon. As the peasant, the carpenter and the surgeon do not exploit any one with their instruments of labour, they need have no fear that their tools will be taken away from them by a Socialist revolution, the object of which is to expropriate those who have taken the land from the countryman and the machines from the workers, and who use them only to exploit the producers."¹ "No Socialist who is worth serious consideration," wrote Kautsky in 1902, "has ever demanded that the peasant shall be expropriated or that their goods shall be confiscated."² And quite recently Otto Bauer wrote: "The means of production fall under

¹ *Agricultural Programme of the French Workers' Party*, by Paul Lafargue, p. 30.

² *The Social Revolution*, p. 97.

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two kinds of ownership—the ownership of the man who works, and ownership by the man who exploits. The peasant is the proprietor of the soil that he tills himself, and the harvest is the product of his work—that is real ownership by the worker. The landed proprietor is the owner of vast tracts that he does not cultivate himself, but causes others to cultivate so that he may live on the products of their labour; the shareholder is part-proprietor of mines that he has never seen, of industrial enterprises where he has never worked, and his gains arise from the efforts of the people who do work there.

“Socialism seeks to suppress the right to exploit but not the right to the product of labour; the soil must remain the individual property of the peasant.”

On the other hand, Socialists should seize every opportunity in the interests of the maintenance of the effective progress of production, to dispel the idea of an immediate socialisation of the whole of capitalist enterprises.

But just at the point where the special form of collective action which constitutes “socialisation” stops, social activity must go on under the more general form of the “organisation of production.” The organisation of production is an immediate necessity because it is the means of removing the economic crises, which are the scourge of society, and more especially of the working class.

This used to appear a Utopian suggestion. But the war has brought about the local, national and international concentration of demand—the international, national and local distribution of products. It has organised demand, and also supply, and by this means it has prepared the way for the organisation of industry—as the representatives of the textile industry clearly perceived, when they recommended the international organisation of the production of cotton. When the League of Nations has re-established and improved the international economic authorities which operated during the war, and when the States have re-introduced and improved, with the assistance of all who are interested, the national distributive authorities, the foundation of a national and international organisation of production will be laid.

Moreover, the task of organisation will be materially assisted by the operation of those industries which are socialised. These latter will at once be able to exert a regulative influence as regards both quantities of goods and prices, in those branches of production in which they buy or sell. The socialisation of oil refining, for example, would give to the community the power to regulate the production of raw petrol; that of sugar refining, would assure it the mastery in the production of raw sugar, and in the cultivation of beet-roots. The socialisation of the flour export trade would allow the community to regulate the production of cereals. The socialisation of the heavy

metal industry would bring with it the "control foundries, of smelting works, of mechanical industry and so on. The same economic solidarity, which to-day allows the capitalist monopolies to strangle the tributary industries will to-morrow enable the community which will supplant them, to regulate the production of these industries in the social interest. Finally, alongside of the central distributive authorities, and the socialised industries, the other forms of collective activity will co-operate in the organisation of industry. These are the distributive co-operative societies of the agricultural trade union and co-operative societies and industrial councils.

It is unnecessary to emphasise the rôle of the importance which the district co-operative societies—henceforth linked up regionally, nationally, internationally—will be called upon to play as bodies which will focus demand.

The agricultural trade unions and co-operative societies will connect the individual cultivation of the peasants with the surrounding collective economy. They will link their particular demands with the general demand, and their individual production with the general production. With communal services and assistance guaranteed by the State, they will become the instruments of peasant economy without changing the form of the holdings.

During the period of transition, the Industrial Councils would fulfil a similar function, with reference to the non-socialised capitalist industries.

They would have to fix prices and regulate production, which tasks are to-day performed by the Kartels.

But in agreement with the principles of the new order, they would have to be guided, not by the selfish interests of the manufacturers concerned and the realisation of the maximum profit like the Kartels, but by the general interest, and the satisfaction of the greatest number of human needs. They would also have to include, in addition to the manufacturers, a majority of representatives of the community, such as the delegates of the consumers and the State.

The social control of prices is the corollary of the social organisation of production.

Under the new system this is rendered possible by the co-operation of these various factors—the supply of material by the national departments for importation; the supply of materials, products, and power by the socialised industries; the supply of articles of commerce by the national food departments; the general fixation of wages by collective bargains, and the activities of the Industrial Councils.

All the conditions necessary for the fixing of reasonable prices are thus given.

But to render the protection of the consumer

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doubly sure, two auxiliary measures may be resorted to by Society; the establishment of workshops directly managed by Industrial Councils, which will experiment in providing all the conditions in which normal prices may be fixed, at the same time as it prepares the way for the general socialisation of the industry concerned; and, on the other hand, the establishment of regulative services which will compete in the market with private enterprise to an extent sufficient to compel the latter to respect normal prices.

(3) *The Democratisation of the Labour Conditions.*

A further essential reform which must be carried out at once is the democratisation of labour conditions. In fact, already, in Germany, the new constitution recognises the right of workers and employees "to collaborate with the employers, on the basis of equality, in the fixing of conditions of labour, and wages, as well as in regard to the development of the productive forces as a whole." It set up workers' councils, with district councils, and a general council "for the protection of the social and economic interests of the workers"; it invests these councils with the right to co-operate with other economic groups. In Austria, the National Assembly passed a law in April 1919, which set up in all industrial and commercial establishments, workers' councils with very extensive powers.

The councils are not limited to the management

of collective bargaining, to supervision over the laws for the protection and insurance of the workers ; to co-operate, with the right of veto, in the drawing-up of workshop rules ; to negotiate with the employer an agreed price list ; to participate in the administration of the Factory Acts, etc. In addition to this, they have the right to protest against the dismissal of a worker, if it results from his political or trade union activity, and to lodge an appeal with a Board of Arbitrators, who can annul the discharge if they find the grievance well founded. The council can invite the employers to confer with them once a month, with a view to discovering possible ameliorations in working conditions, and to examine the general principles of the undertaking. In commercial undertakings employing at least thirty workers, and in all industrial concerns, they can demand each year, commencing from 1920, to see the last balance-sheet and the salary list. They elect two members of the board of management of joint-stock companies, who have the same rights and duties as other members, except that they cannot be administrative delegates or accept fees.

Such, in its broad outlines, is the new industrial regime which, let us remember, has been in existence for some years in certain places, and which will spread over the whole world. It is, in fact, the end of the good old system of paternal government, in the industrial as well as the political sphere.

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(4) *The Social Resumption of Capitalist Property.*

Finally, the Socialist ideal involves the resumption of capitalist property. Socialisation of capitalist undertakings is not, in itself, the socialisation of capitalist property. To socialise a railway, a mine, or a factory, is to transfer the property and its administration to the community.

If, however, this socialisation is carried out by means of an indemnity, on the transfer of his enterprise to the State, the capitalist will receive its value under another form as gilt-edged securities, for example, or bank notes converted in their turn to investments in another undertaking.

For this reason the view is widely held that expropriation with indemnity is a futile proceeding. This is to see only one side of the question. Assuming the shareholders of a railway company receive from the State the purchase value of the undertaking, the State remains, nevertheless, the owner of the transport service of the country, and is able to administer the service in the general interest, whereas formerly it was managed solely with a view to obtaining the maximum financial return. As a consequence, the purchase may result in a considerable increase in the national wealth; the operation is advantageous to the community, while the shareholders have been properly compensated.

We may recall the course followed in the early days by the Trust founders. They approached the

shareholders of the different companies in a particular branch of industry, and asked them to cede their shares, in return for certificates, by means of which they would continue to receive dividends. By the acceptance of the certificate the shareholder, while retaining the full pecuniary value attaching to his shares, surrendered his right to vote, which passed to the "trustee," and the Committee of Trustees, appointed by a majority of the shareholders from each company, was invested with full authority to administer the whole group of undertakings, as a monopoly. Once in command of the monopoly, they raised prices, bled the consumer, increased the profits augmented the dividends, and consequently raised the price of the shares. The result of the transaction, which consisted only in the rearrangement and concentration of the powers of the shareholders, was financially advantageous. The State, by its purchase, plays a similar rôle. It converts the shareholders, armed with administrative powers, into passive dividend receivers, who have only the right of periodically presenting their dividend warrants for payment. The State has paid the pecuniary value of the shares, but it has acquired, and gratuitously acquired, the corresponding power of control and has become the administrative authority. The operation of the trust was financially advantageous ; that of the State, which buys out, is socially advantageous.

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Another advantage of socialisation, that of urban land, for example, is that of assuring to the community the increased values, due to the general increase in wealth.

Finally, a widely extended policy of socialisation will secure a further result of the highest importance. In closing to private capital the most remunerative investments, it will effect a general lowering of the rate of interest, and, consequently, the burden on industry will be considerably lightened.

It is, then, incorrect to assume that expropriation with indemnity is futile. Nevertheless, after socialisation has been accomplished by this method, there does remain—under another form and name—that portion of capitalist wealth which corresponds to the socialised industry, and the biggest portion, at least, of the formidable claim of the possessing classes on the national revenue.

Must we, then, subscribe to the principle of expropriation without indemnity?

The majority of Socialists reject this idea for two fundamental reasons. The first is, that they desire the possessing classes to have time to adapt themselves to the new regime, and they hope to realise Socialism—the ideal of Justice and Humanity—by the most just and humane methods. The second reason is that, normally, socialisation will proceed by degrees, and that socialisation by degrees and without indemnities, would entail unthinkable consequences.

Some capitalists would retain their factories, whilst others, with their wealth invested in the expropriated industries, would lose the whole of it, and even numberless artisans, small farmers and domestics, would see the hard-won savings of a lifetime of labour and self-denial melt away.

The solution seems to lie in a strictly defined demarcation between the procedure for the socialisation of capitalist undertakings, and that for the socialisation of capitalist property. The first step is the transfer to the State of capitalist enterprises and their administration; the second step is the gradual extinction of capitalist credit. The most obvious method will be that of increases in Death Duties and Income Tax. Even to-day, Income Tax varies in accordance with the total amount of property or of income, and its source (unearned income being more heavily taxed than earned), with the family liabilities of the tax-payer; when there is a question of inheritance, the tax varies according to the relationship of the inheritor. These are some of the personal factors of discrimination, the combined effect of which will reconcile the exigencies of an extended advance with due regard to important considerations. Further, it will be possible, when gradually increasing the amount of the tax, to take into consideration the benefits which the new system of security and solidarity offers to everyone, the progressive adaptation of the persons who were privileged

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under the old society to the new condition, and the general requirements of public opinion.

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